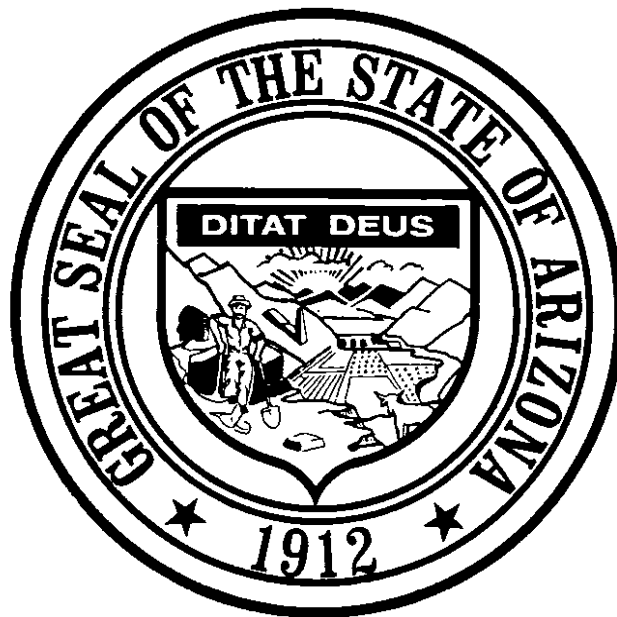


STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010



Janice K. Brewer
GOVERNOR



**PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL ACCOUNTING OFFICE**



STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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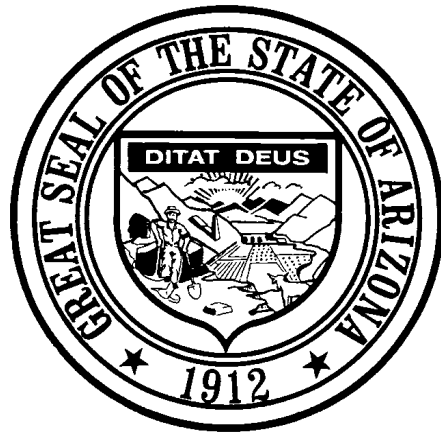
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INTRODUCTORY SECTION

INTRODUCTORY SECTION

Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE, ROOM 401
PHOENIX, ARIZONA 85007
(602) 542-1500

March 4, 2011

The Honorable Janice K. Brewer,
Governor of the State of Arizona;
Members of the Legislature;
Rebecca White Berch, Chief Justice of the Supreme Court;
and Citizens and Taxpayers of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2010. Responsibility for the accuracy of data, as well as the completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the major and non-major funds of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

U.S. generally accepted accounting principles (GAAP) require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditors' Report.

INTERNAL CONTROLS

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the State Entity is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Their report on the basic financial statements has been included in the financial section of this report. In addition, ARS §41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report at a later date.

PROFILE OF THE GOVERNMENT

The State of Arizona was admitted to the Union as the 48th state in 1912. Arizona is the sixth largest state, with 113,998 square miles. Arizona is known for the Grand Canyon, one of the Seven Wonders of the World, and its cacti and other desert landscape. A number of national forests, four national parks, eighteen national monuments, and over 20 million acres of Native American reservations and tribal communities are located in Arizona.

The State has three branches of government: Executive, Legislative, and Judicial. The Executive branch is headed by a governor elected for a four-year term. Arizona's Legislative branch is bicameral, consisting of a thirty-member Senate and a sixty-member House of Representatives. Legislators are elected for two-year terms. The Judicial branch consists of the Arizona Supreme Court, Court of Appeals (with two divisions), superior courts, justice of the peace courts, and municipal courts. The superior courts, justice of the peace courts, and municipal courts are excluded from the State's reporting entity. The Supreme Court is the highest court in the State and is comprised of five justices. Article 6, Section 5 of the Arizona State Constitution describes the types of cases and matters handled by the Supreme Court.

The services provided by the State are administered through various agencies, departments, boards, commissions, councils, administrations, offices, and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation, and (7) Natural Resources.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds of the State of Arizona (primary government), as well as its component units. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units are shown separately to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units prepared in accordance with the Governmental Accounting Standards Board (GASB) are reported in separate columns in the government-wide financial statements. Discretely presented component units prepared in accordance with the Financial Accounting Standards Board are presented as separate financial statements immediately following the government-wide financial statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the GASB.

The criteria for inclusion in the reporting entity and presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the GASB, (Section 2100). Note 1 of the Notes to the Financial Statements explains which component units are included in the Financial Reporting Entity of the State.

BUDGETARY CONTROLS

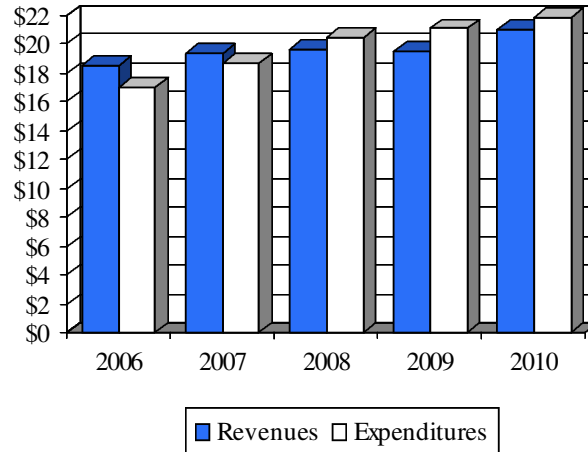
Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by the Governor. The appropriated funds are controlled by the executive branch through an allotment process. This process generally allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay and other continuing appropriations. These appropriations and their encumbrances continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

GENERAL FUND BALANCE

Graph 1 summarizes the General Fund revenues and expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

Graph 1

General Fund Revenues and Expenditures
for last 5 fiscal years
(Dollars in billions)

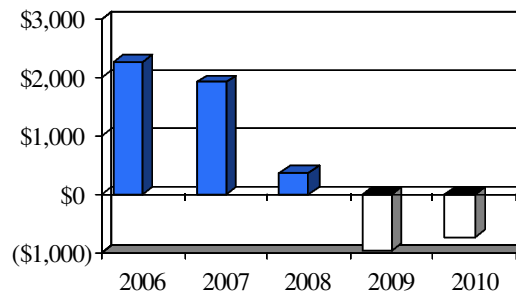


The General Fund ended the June 30, 2010 fiscal year with a deficit of \$825.081 million in unreserved fund balance and a \$70.350 million reserved fund balance for a total fund balance deficit of \$754.731 million. This compares to the previous year's total fund balance deficit of \$978.278 million.

Graph 2 summarizes the General Fund Balance (Deficit) for the last five fiscal years:

Graph 2

General Fund Balance (Deficit) for last 5 fiscal years
(Dollars in millions)



ECONOMIC CONDITION AND OUTLOOK

The following economic summary is excerpted from the Arizona Department of Commerce's Arizona's Workforce, released on October 7, 2010.

The Arizona Department of Commerce, Research Administration's (RA) updated forecast revises Arizona's nonfarm job losses in 2010 to 25,700, or 1.1%, compared to 50,400, or 2.1%, forecasted earlier. Factors that contributed to the reduced losses include: (i) Federal government economic stimulus program spending that began in 2009, (ii) continued employment gains in the Educational and Health Services sector, (iii) improved job growth in: Professional and Business Services; Trade, Transportation, and Utilities; Leisure and Hospitality; and Natural Resources and Mining sectors, and (iv) stronger than originally anticipated economic growth in the rest of the world.

However, for 2011, Arizona's nonfarm job growth has been revised downward to 16,500, or 0.7%, from 23,100, or 1.0%, forecasted earlier. Although the decline in spending from federal government economic stimulus programs was expected, reasons for this revision include but are not limited to: (i) the lackluster growth in the private sector as observed by the two indicators of business and consumer spending, (ii) large state and local government budget deficits, (iii) slowdown in population growth, and (iv) limited consumer and small business lending by banks. These factors will limit nonfarm job growth in the overall economy. The current set of problems inhibiting growth in the economy is expected to continue through 2011. These problems include high levels of unemployment, large debt loads, reduced income and wealth, weak housing and commercial real estate markets, rising health care costs, and budget deficits in state and local governments. Also, recent U.S. Gross Domestic Product (GDP) figures in 2010 have shown a slowing trend of economic growth and Arizona's personal income figures have demonstrated near historic lows in over-the-year growth.

In the national economy, the ending of specific federal stimulus programs caused further slowing of economic growth. For example, recent expiration of federal tax credits for home purchases contributed to a large reduction in home sales across the country. In 2009, the end of the "cash for clunkers" new automobile incentive purchase program resulted in a reduction in motor vehicle sales and production.

In 2010, job losses in Professional and Business Services are forecast to total 1,100, or 0.3%, as a result of the overall weakness in the Arizona economy. However, employment growth is projected to return in 2011 with an increase of 9,600 jobs, or 2.8%. In 2010, the forecast number of job gains in Educational and Health Services is 8,400, or 2.6%. These projected gains are less in 2011 (6,100, or 1.8%).

In 2010, projected job gains in Trade, Transportation, and Utilities are 2,700, or 0.6%. These gains increase to 3,100 jobs, or 0.6%, in 2011. In 2010, the Construction sector is expected to lose 15,200 jobs, or 11.8%. However, in 2011 Construction is expected to gain 2,100 jobs, or 1.8%. In 2010, forecast growth in employment for the Leisure and Hospitality sector is 1,100 jobs, or 0.4%. These job gains are projected to increase to 2,100, or 0.8%, for 2011. Manufacturing employment levels are forecast to have a decrease of 4,600 jobs, or 3.0%, in 2010. However, employment gains are projected for Manufacturing in 2011 with an increase of 1,900 jobs, or 1.3%, because of expansion of economic activity in the State, nation, and the rest of the world.

In 2010, projected job losses in Other Services sector total 2,000, or 2.1%, and in 2011, a gain of 1,800 jobs, or 2.0%, is expected. In 2010, the forecast growth in Natural Resources and Mining employment is an increase of 200 jobs, or 1.8%. These projected gains increase to 1,400 jobs, or 12.3%, for 2011. In 2010, job losses in Financial Activities sector are forecast to total 5,300, or 3.2%. These projected reductions in employment decline for 2011 to 2,600 jobs, or 1.6%. In 2010, forecast reductions in Government employment are 7,500 jobs, or 1.8%. These projected losses will increase in 2011 to 7,900 jobs, or 1.9%. In 2010, employment reductions in the Information sector are projected to number 2,500 jobs, or 6.4%. These forecast job losses decrease to 1,100, or 2.9%, in 2011.

Educational and Health Services is the sector with the largest projected job gains for the 2009 to 2011 forecast time period (14,500 jobs, 4.4%). During the most recent economic downturn, Educational and Health Services is one of the few sectors in the Arizona economy with employment growth. Fewer employment opportunities during a recession persuade many people to return to school to upgrade skills and enhance their knowledge to be better prepared for greater employment opportunities that become available when the economy begins to recover. As part of the economic stimulus program, the federal government has provided more resources to support Educational and Health Services. An increasing elderly population continues to bolster demand for health care services in the State of Arizona. In addition, high levels of unemployment have created greater demand for social assistance services. The subsectors with most rapid pace of projected job growth are health care and social assistance followed by private educational services.

Projected increases in employment for Professional and Business Services from 2009 to 2011 are 8,500 jobs, or 2.5%. These gains are a consequence of an observed and anticipated overall improvement in the economy. Businesses are motivated to hire contingent

labor during the beginning, uncertain stages of an economic recovery as a cost savings measure. The subsectors with the largest forecast gains include: professional and technical services, employment services, and services to buildings and dwellings. Subsectors with projected job losses are management of companies and enterprises and business support services.

Job gains of 5,800, or 1.2%, are forecast in Trade, Transportation, and Utilities from 2009 to 2011. Wholesale and retail trade are the subsectors with the largest projected increase in employment. The largest forecast employment increases in retail trade are in the discount outlet and superstore subsectors. Though we are observing a start of an employment increase in retail, slow growth in consumer spending continues to persist. High levels of unemployment, large debt loads, and reduced wealth and income have caused the forecast job growth in retail trade to be limited. Because of a weaker economy and future uncertainty, consumers are reducing debt and increasing personal savings. However, debt reduction and increased savings are limiting economic growth because less money is available for the purchase of goods and services. Job losses are projected in the subsectors of transportation, warehousing, and utilities. Energy conservation and generation projects through the federal government stimulus programs are bolstering employment in the utilities subsectors.

In the Leisure and Hospitality sector, growth of 3,100 jobs, or 1.2%, is forecast during the 2009 to 2011 time frame. Besides improvements in the overall national and state economies, economic growth in the rest of the world is projected to increase foreign travel and tourism spending in the State of Arizona. Food services and drinking places is the subsector with the largest amount of projected job gains. However, job losses are forecast in the subsectors of art, entertainment and recreation, and accommodation.

Growth of 1,600 jobs, or 14.3%, in the Natural Resources and Mining sector is forecasted during 2009 to 2011. A majority of these projected job gains are in the subsector of metal ore mining because of the expansion of economic activity and industrial output in the U.S. and the rest of the world increasing the demand for metallic mineral ores such as copper and molybdenum that are mined in the State of Arizona. The forecast rate of growth is high despite the relatively small number of projected job gains because of the comparatively small base of employment in this sector, 11,100 jobs in 2009.

Government is the sector with the largest forecast job losses at 15,400, or 3.6%, during the 2009 to 2011 projections time frame. Employment reductions in the federal government are forecast as a result of the layoffs of temporary Census 2010 workers. State and local government projected reductions in employment are the result of the ongoing budget deficit crisis. These reductions at the state and local level are forecast to increase in 2011 as a result of reduced spending expected from the federal government economic stimulus programs. In contrast, we might observe lower losses if the federal government appropriates additional funds to assist state and local governments with their programs. However, the level of potential additional federal support after the end of the stimulus programs remains uncertain. The negative impacts of layoffs and spending reductions of state and local governments on their economies are less ambiguous.

In the Construction sector, job losses of 13,100, or 10.2%, are forecast for 2009 to 2011. These losses are forecast across all subsectors and are the result of continued problems in the housing and commercial real estate markets. Indicators of problems in these real estate markets include high rates of mortgage foreclosures and delinquency, low home prices, large amounts of unsold home inventories, abandoned commercial projects, bank failures, high vacancy rates for commercial properties, declining commercial property rents, low volume of home sales, and low levels of new construction permits. Employment reductions in Construction for 2010 are projected to number 15,200 jobs, or 11.8%.

Despite indicators of weakness in the overall Construction industry, signs of improvement are beginning to appear in real estate markets with reductions in mortgage foreclosure rates, declines in the amount of unsold home inventories, and stabilization in home prices. In addition, infrastructure expansion and improvement projects with a high proportion of support from the federal government are forecast to slightly boost Construction employment in 2011 across all subsectors. Examples of these infrastructure projects include roads, highways, bridges, and public mass transit. In 2011, projected gains in Construction employment are 2,100 jobs, or 1.8%.

The Financial Activities sector is forecast to have job losses totaling 8,000, or 4.8%, from 2009 to 2011. Constrained spending, increased savings, and debt reduction by consumers and businesses in a weak economy are projected to result in employment reductions for most subsectors in Financial Activities. Continued problems in housing and commercial real estate markets also are anticipated to provide no assistance to job growth in the Financial Activities sector. Securities, commodity contracts, and investments is the only subsector to have projected employment increases.

Employment levels in the Information sector are forecast to have a decrease of 3,600 jobs, or 9.1%, during the 2009 to 2011 time period. Job losses persist as a result of continued consolidation, technological changes, shifts in consumer preferences, and constrained growth in consumer and business spending. An example of all of these factors working together and resulting in employment losses is the shift of consumer video rentals from local area brick and mortar retail outlets to vending machines, mail order and return, and internet websites.

Job reductions in Manufacturing are forecast to total 2,600 jobs, or 1.7%, from 2009 to 2011. The Manufacturing subsectors forecast to have the largest job losses are directly involved with construction such as fabricated metals. Because of proposed reductions in federal military spending, the subsector of aerospace products and parts is also projected to have reductions in employment.

Rapid pace of economic growth is not expected to result in fast rates of employment expansion in manufacturing. We continue to observe relatively large proportions of unused production capacity in terms of production lines and machines within factories. Also, increasingly, a higher level of labor productivity is expected. In other words, most manufacturing firms are expected to increase output without hiring many additional workers. Existing employees can start up idle production lines and other equipment while working at a faster pace.

Job losses in Other Services are projected to be the smallest of all sectors in the Arizona economy from 2009 to 2011 with a decrease of 100 jobs, or 0.1%. Projected employment reductions are small as a result of a gradually improving economy and increased demand for repair and refurbishment services in contrast to the purchase of new items as a cost savings measure.

Impetus provided by the federal government economic stimulus programs and improved private sector employment observed domestically helped reduce projected losses in Arizona's nonfarm employment in 2010 to 25,700 jobs, or 1.1%, compared to the previous forecast of 50,400 jobs, or 2.1%. In contrast, in 2011, the anticipated winding down of the federal government economic stimulus programs, lackluster growth in consumer and business spending currently observed within the private sector, low population growth, limited consumer and small business lending by banks, and deficits in the state and local budgets have decreased the amount of projected gains in Arizona's nonfarm employment. As a result, projected gains are 16,500 jobs, or 0.7%, compared to 23,100 jobs, or 1.0%, forecasted previously.

MAJOR INITIATIVES

Continued deterioration in Arizona's economic conditions during fiscal year 2010 has resulted in a further downward trend in the State of Arizona's General Fund tax revenue collections. To address the General Fund fiscal year 2010 budget impact created by these revenue shortfalls, the State Legislature enacted laws that included measures such as deep reductions in State agencies' General Fund spending authority, transfer of amounts from other funds, and increased temporary suspension of cash payments to the Universities and K-12 education. Additionally, the State Legislature authorized sale-leaseback transactions of certain property through the issuance of COPs and the issuance of State Lottery Revenue Bonds, the proceeds of which were deposited in the State's General Fund to pay appropriated expenditures. Furthermore, the State used federal stimulus funds received through The American Recovery and Reinvestment Act of 2009 to help balance the fiscal year 2010 budget.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its CAFR for the fiscal year ended June 30, 2009. This was the sixth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, council, administration, office, institution of higher education, and all other organizations within the reporting entity.



Scott A. Smith
Director



D. Clark Partridge
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



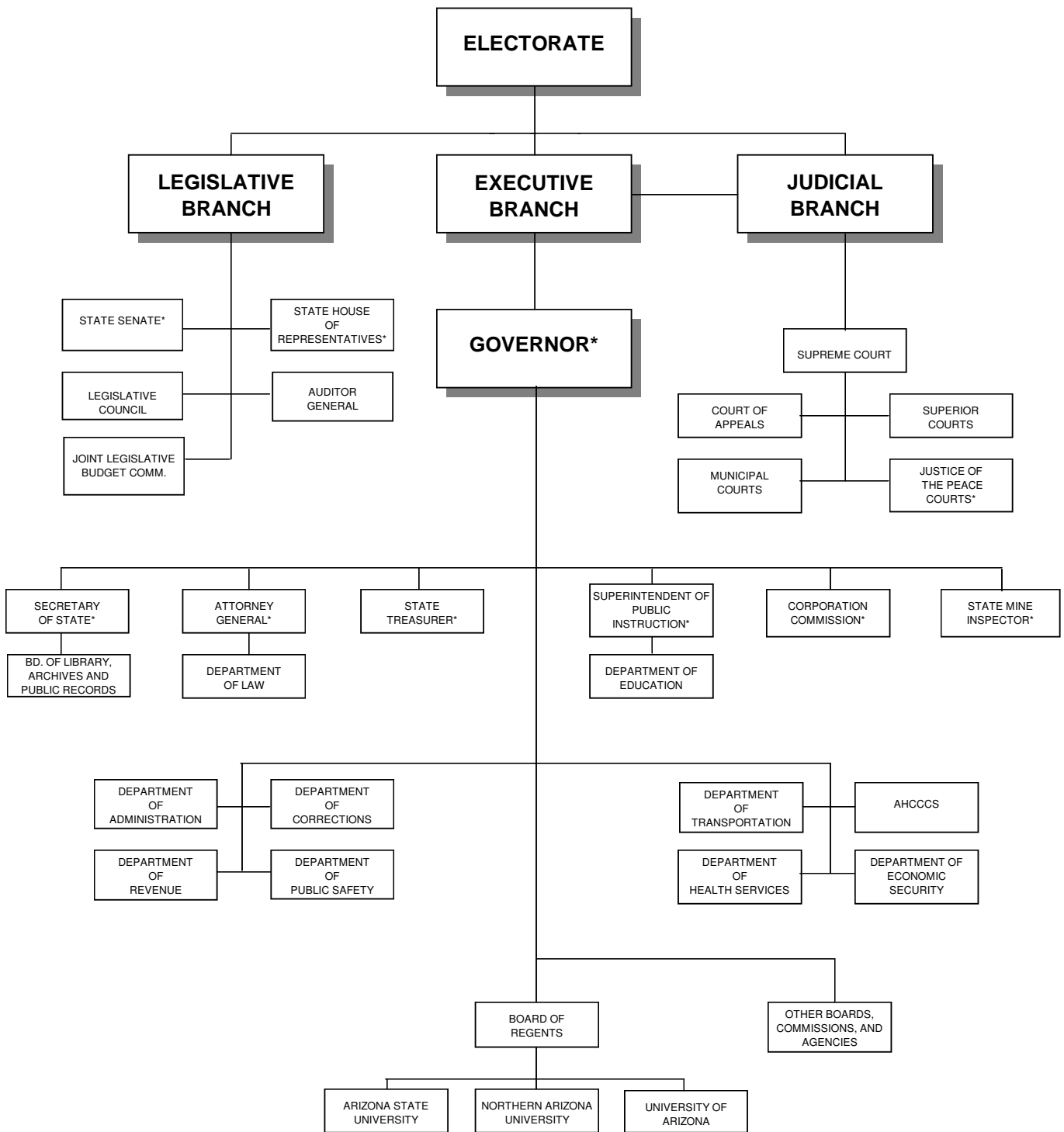
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2010

ELECTED OFFICIALS ~ as of June 30, 2010

Janice K. Brewer, Governor
Senator Robert Burns, President of the Senate
Representative Kirk Adams, Speaker of the House
Ken Bennett, Secretary of State
Terry Goddard, Attorney General
Joe Hart, State Mine Inspector
Dean Martin, State Treasurer

Tom Horne, Superintendent of Public Instruction
Kristin K. Mayes, Chairman ~ Corporation Commission
Sandra D. Kennedy, Commissioner ~ Corporation Commission
Paul Newman, Commissioner ~ Corporation Commission
Gary Pierce, Commissioner ~ Corporation Commission
Bob Stump, Commissioner ~ Corporation Commission

APPOINTED OFFICIALS ~ as of June 30, 2010

Executive Officials

David Raber, Interim Director ~ Department of Administration
Charles L. Ryan, Director ~ Department of Corrections
Neal Young, Director ~ Department of Economic Security
Gale Garriott, Director ~ Department of Revenue
Robert Halliday, Director ~ Department of Public Safety
Will Humble, Director ~ Department of Health Services
Tom Betlach, Director ~ Arizona Health Care Cost Containment System
John Halikowski, Director ~ Department of Transportation
GladysAnn Wells, Director ~ Arizona State Library, Archives and Public Records

Judicial Officials

Rebecca White Berch, Chief Justice ~ Supreme Court

Legislative Officials

Michael E. Braun, Executive Director ~ Legislative Council
Richard Stavneak, Director ~ Joint Legislative Budget Committee
Debra K. Davenport, CPA, Auditor General ~ Office of the Auditor General

University Officials

Dr. Michael M. Crow, President ~ Arizona State University
Dr. John D. Haeger, President ~ Northern Arizona University
Dr. Robert N. Shelton, President ~ University of Arizona

ELECTED OFFICIALS ~ as of March 4, 2011

Janice K. Brewer, Governor
Senator Russell Pearce, President of the Senate
Representative Kirk Adams, Speaker of the House
Ken Bennett, Secretary of State
Tom Horne, Attorney General
Joe Hart, State Mine Inspector
Doug Ducey, State Treasurer

John Huppenthal, Superintendent of Public Instruction
Gary Pierce, Chairman ~ Corporation Commission
Brenda Burns, Commissioner ~ Corporation Commission
Sandra D. Kennedy, Commissioner ~ Corporation Commission
Paul Newman, Commissioner ~ Corporation Commission
Bob Stump, Commissioner ~ Corporation Commission

APPOINTED OFFICIALS ~ as of March 4, 2011

Executive Officials

Scott A. Smith, Director ~ Department of Administration
Charles L. Ryan, Director ~ Department of Corrections
Mary Gill, Interim Director ~ Department of Economic Security
Gale Garriott, Director ~ Department of Revenue
Robert Halliday, Director ~ Department of Public Safety
Will Humble, Director ~ Department of Health Services
Tom Betlach, Director ~ Arizona Health Care Cost Containment System
John Halikowski, Director ~ Department of Transportation
GladysAnn Wells, Director ~ Arizona State Library, Archives and Public Records

Judicial Officials

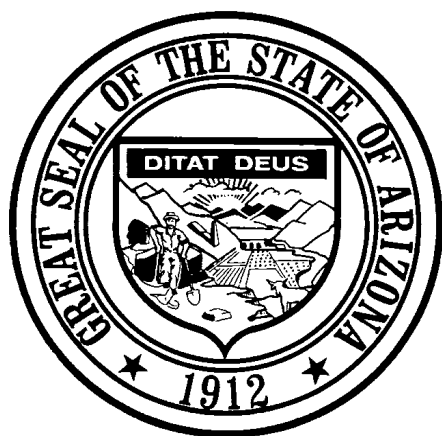
Rebecca White Berch, Chief Justice ~ Supreme Court

Legislative Officials

Michael E. Braun, Executive Director ~ Legislative Council
Richard Stavneak, Director ~ Joint Legislative Budget Committee
Debra K. Davenport, CPA, Auditor General ~ Office of the Auditor General

University Officials

Dr. Michael M. Crow, President ~ Arizona State University
Dr. John D. Haeger, President ~ Northern Arizona University
Dr. Robert N. Shelton, President ~ University of Arizona



FINANCIAL SECTION

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT



Independent Auditors' Report

The Honorable Janice K. Brewer, Governor
State of Arizona

The Honorable Russell Pearce, President
Arizona State Senate

The Honorable Kirk Adams, Speaker
Arizona House of Representatives

The Honorable Rebecca White Berch, Chief Justice
Arizona Supreme Court

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, the State's retirement plans, and the discretely presented component units, which account for the following percentages of the assets and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

| Opinion Unit/Department | Assets | Revenues/Additions/ Other Financing Sources |
|-------------------------------------------------|---------|---------------------------------------------------|
| <u>Government-wide Statements</u> | | |
| Governmental activities: | | |
| Arizona Health Care Cost Containment System | 2.89% | 22.12% |
| Department of Transportation | 67.00% | 11.50% |
| Business-type activities: | | |
| Lottery Department | 0.96% | 9.61% |
| Arizona Health Care Cost Containment System | 0.15% | 0.83% |
| Department of Transportation | 1.24% | 0.12% |
| Aggregate discretely presented component units: | | |
| Component Units | 100.00% | 100.00% |
| Universities—Affiliated Component Units | 100.00% | 100.00% |

| Opinion Unit/Department | Assets | Revenues/Additions/ Other Financing Sources |
|--------------------------------------------------------------------------------------------------------|---------|---------------------------------------------------|
| <u>Fund Statements</u> | | |
| Major Governmental Funds: | | |
| General Fund—Arizona Health Care Cost Containment System | 37.13% | 23.79% |
| Transportation and Aviation Planning, Highway Maintenance and Safety Fund—Department of Transportation | 100.00% | 100.00% |
| Major Enterprise Fund: | | |
| Lottery Fund—Lottery Department | 100.00% | 100.00% |
| Aggregate Remaining Fund Information: | | |
| Arizona Health Care Cost Containment System | 0.07% | 1.95% |
| Department of Transportation | 0.89% | 3.46% |
| Arizona State Retirement System | 61.90% | 52.77% |
| Public Safety Personnel Retirement System | 11.74% | 10.48% |
| Corrections Officer Retirement Plan | 2.85% | 2.60% |
| Elected Officials' Retirement Plan | 0.72% | 0.64% |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those departments, retirement plans, and component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Rio Nuevo Multipurpose Facilities District, Greater Arizona Development Authority, Arizona Power Authority, University Medical Center, and the universities—affiliated component units, which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The financial statements of the Healthcare Group of Arizona, a nonmajor enterprise fund, are included as part of the State's business-type activities and aggregate remaining fund information. As discussed in Note 9, the Healthcare Group of Arizona had incurred significant operating losses in the past years and had a fund deficit of \$9.01 million at June 30, 2010, that raise substantial doubt about its ability to continue operations. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The financial statements of the Rio Nuevo Multipurpose Facilities District (Rio Nuevo) were audited by other auditors who issued a qualified opinion on capital assets, accumulated depreciation, and depreciation expense for Rio Nuevo as of and for the year ended June 30, 2010. As described in the other auditors' report, this opinion qualification was the result of inadequate accounting records. Rio Nuevo is a discretely presented component unit of the State and is included in the discretely presented component units (governmental activities column) on the government-wide financial statements. This had no effect on our opinion for the aggregate discretely presented component units as of and for the year ended June 30, 2010.

As described in Note 1, the State implemented the provisions of the Governmental Accounting Standards Board Statement Nos. 51, *Accounting and Financial Reporting for Intangible Assets*, and 53, *Accounting and Financial Reporting for Derivative Instruments*, for the year ended June 30, 2010, which represent changes in accounting principles.

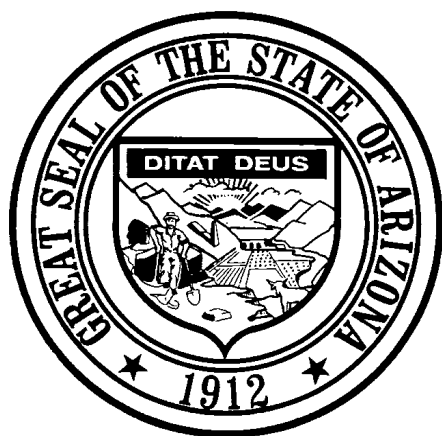
The Management's Discussion and Analysis on pages 21 through 33, the Budgetary Comparison Schedules on pages 133 through 162, the Infrastructure Assets information on pages 163 through 166, and the Schedule of Agent Benefit Plans' Funding Progress on page 167 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

March 4, 2011



MANAGEMENT'S
DISCUSSION
AND
ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-wide:

- ⌘ The assets of the State exceeded liabilities at the close of the fiscal year by \$18.7 billion (reported as net assets). Of this amount, a deficit of \$3.6 billion exists for unrestricted net assets, \$5.2 billion is restricted for specific purposes (restricted net assets), and \$17.1 billion is invested in capital assets, net of related debt.
- ⌘ The State's total net assets decreased in fiscal year 2010 by \$181.409 million. Net assets of governmental activities increased by \$130.370 million, while net assets of the business-type activities decreased by \$311.779 million.

Fund Level:

- ⌘ As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3.8 billion, an increase of \$143.675 million from the beginning of the year. Less than 1% of the combined fund balances, or \$5.451 million, is available to meet the State's current and future needs (unreserved fund balance).
- ⌘ As of the close of the fiscal year, unreserved fund balance for the General Fund had a deficit of \$825.081 million, which is approximately 4% of total General Fund expenditures.
- ⌘ The Land Endowments Fund reported fund balance at year end of \$2.7 billion, an increase of \$478.820 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.
- ⌘ The enterprise funds reported net assets at year end of \$2.5 billion, a decrease of \$325.068 million during the year.

Long-term Debt:

- ⌘ The State's total long-term primary government debt increased during the fiscal year to \$9.9 billion, an increase of \$1.8 billion (or 22%). Changes during the year included the addition of revenue bonds, certificates of participation, and capital leases of \$930.530 million, \$999.000 million, and \$199.879 million, respectively. Also, the State retired \$206.355 million of revenue bonds, \$109.855 million of certificates of participation, and \$27.090 million of capital leases.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 24**.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

The Statement of Net Assets and the Statement of Financial Position (pages 38-40) present all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statements of Activities (pages 42-44) present information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave). Additionally, long-term assets and liabilities are reported regardless of when these assets are expected to be converted to cash, or when the liability is expected to be liquidated (e.g., capital assets and long-term debt).

Government-wide statements report three activities:

- ¿ Governmental Activities - Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- ¿ Business-type Activities - The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, the State's unemployment compensation services, the Industrial Commission Special Fund, and the State's three universities are examples of business-type activities.
- ¿ Discretely Presented Component Units - Component units are legally separate organizations for which the elected officials of the State are financially accountable. The Rio Nuevo Multipurpose Facilities District, the Greater Arizona Development Authority, the University Medical Center, the Arizona Power Authority, and the Water Infrastructure Finance Authority are discretely presented component units reported by the State. Based on GASB Statement No. 39, the State has added University Foundations and financing authorities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles, as adopted by the Financial Accounting Standards Board. These organizations include the ASU Foundation, the Arizona Capital Facilities Finance Corporation, the U of A Foundation, and other non-major foundations and financing authorities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by GASB, and include a statement of financial position (**page 40**) and a statement of activities (**page 44**). See **pages 67-70 and 116-128** for more information on discretely presented component units.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on **page 45** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 172** begins the individual fund data for the non-major funds. The State's funds are divided into three categories - governmental, proprietary, and fiduciary - each category uses different accounting approaches.

- ¿ Governmental funds - Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules (**pages 46 and 48-49**) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) reported on the appropriate government-wide statement.

Governmental fund financial statements can be found on pages 45 and 47 of this report.

- ζ Proprietary funds – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – such as the State Lottery and Universities. Internal service funds report activities that provide supplies and services for the State’s other programs and activities – such as the State’s Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund financial statements is presented at the end of the proprietary fund financial statements on **pages 52-55**.

Proprietary fund financial statements can be found on pages 50-59 of this report.

- ζ Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on **page 60**. These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 60-61 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found beginning on page 67 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary expenditure comparison schedules for the General Fund and each major special revenue fund and a reconciliation of the schedules of statutory and U.S. GAAP expenditures for the fiscal year. This section also includes schedules of condition and maintenance data regarding certain portions of the State’s infrastructure and agent benefit plans’ funding progress schedules.

Required supplementary information begins on page 133 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, all fiduciary funds, and non-major universities – affiliated component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as are major funds on the governmental funds and proprietary funds financial statements. Budgetary expenditure comparison schedules for the non-major special revenue funds and the land endowment funds are also included.

Other supplementary information begins on page 172 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the past year for the primary government are summarized, as follows, based on the information included in the government-wide financial statements.

State of Arizona-Primary Government Net Assets as of June 30, 2010 and 2009 (expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Primary Government Total | |
|----------------------------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current assets | \$ 4,236,816 | \$ 2,833,059 | \$ 1,314,515 | \$ 1,685,745 | \$ 5,551,331 | \$ 4,518,804 |
| Capital assets | 19,125,514 | 17,859,557 | 3,530,141 | 3,404,613 | 22,655,655 | 21,264,170 |
| Other non-current assets | 4,440,342 | 4,946,384 | 1,425,621 | 1,076,150 | 5,865,963 | 6,022,534 |
| Total Assets | 27,802,672 | 25,639,000 | 6,270,277 | 6,166,508 | 34,072,949 | 31,805,508 |
| Current liabilities | 4,242,317 | 3,551,427 | 637,055 | 654,971 | 4,879,372 | 4,206,398 |
| Non-current liabilities | 7,329,300 | 5,986,888 | 3,154,036 | 2,720,572 | 10,483,336 | 8,707,460 |
| Total Liabilities | 11,571,617 | 9,538,315 | 3,791,091 | 3,375,543 | 15,362,708 | 12,913,858 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 15,738,121 | 15,094,719 | 1,352,658 | 1,328,658 | 17,090,779 | 16,423,377 |
| Restricted net assets | 4,648,280 | 3,990,594 | 550,102 | 1,085,399 | 5,198,382 | 5,075,993 |
| Unrestricted net assets | (4,155,346) | (2,984,628) | 576,426 | 376,908 | (3,578,920) | (2,607,720) |
| Total Net Assets | \$ 16,231,055 | \$ 16,100,685 | \$ 2,479,186 | \$ 2,790,965 | \$ 18,710,241 | \$ 18,891,650 |

For the year ended June 30, 2010, the State's combined net assets totaled \$18.7 billion, reflecting a decrease of \$181.409 million during the current fiscal year.

The largest portion of the State's net assets (91%) represents capital assets, net of related debt of \$17.1 billion. Additions to roads and bridges provided the majority of the governmental activities increase of \$643.402 million. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt are planned to be provided from other sources, since the capital assets themselves are not typically used to liquidate these liabilities.

The State's net assets also included \$5.2 billion (28%) of resources that are subject to external restrictions on how they may be used. The restriction by the State's Constitution for basic education funded by the earnings of the Land Endowments Fund provided the majority of the governmental activities increase of \$657.686 million. The business-type activities decrease of \$535.297 million in restricted net assets was primarily caused by the net decrease in the Unemployment Compensation Fund.

After accounting for the above net asset restrictions, the State has a remaining deficit of \$3.6 billion (19%) reported as unrestricted net assets. An increase in long-term debt, due to the State issuing certificates of participation and revenue bonds which provided monies to deposit in the State's General Fund to pay appropriated expenditures, primarily caused the decrease of \$1.2 billion in the unrestricted net assets of the governmental activities.

State of Arizona-Primary Government
Changes in Net Assets for Fiscal Years June 30, 2010 and 2009
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Primary Government Total | |
|-------------------------------------------------------------------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 877,513 | \$ 806,833 | \$ 2,492,801 | \$ 2,196,190 | \$ 3,370,314 | \$ 3,003,023 |
| Operating grants and contributions | 13,735,263 | 10,620,642 | 2,260,071 | 1,243,697 | 15,995,334 | 11,864,339 |
| Capital grants and contributions | 576,027 | 553,198 | 12,563 | 14,710 | 588,590 | 567,908 |
| General revenues: | | | | | | |
| Sales taxes | 5,029,050 | 5,442,563 | 52,318 | 58,528 | 5,081,368 | 5,501,091 |
| Income taxes | 2,809,995 | 3,126,076 | - | - | 2,809,995 | 3,126,076 |
| Tobacco taxes | 332,893 | 370,073 | - | - | 332,893 | 370,073 |
| Property taxes | 31,417 | 32,564 | - | - | 31,417 | 32,564 |
| Motor vehicle and fuel taxes | 1,583,790 | 1,643,276 | - | - | 1,583,790 | 1,643,276 |
| Other taxes | 535,435 | 574,030 | - | - | 535,435 | 574,030 |
| Unrestricted investment earnings | 37,665 | 92,957 | 70,766 | 22,450 | 108,431 | 115,407 |
| Unrestricted grants and contributions | 13,213 | 12,440 | - | - | 13,213 | 12,440 |
| Gain (loss) on sale of trust land | 64,005 | (165,696) | - | - | 64,005 | (165,696) |
| Miscellaneous revenue | 204,295 | 222,712 | 52,072 | 45,786 | 256,367 | 268,498 |
| Total Revenues | 25,830,561 | 23,331,668 | 4,940,591 | 3,581,361 | 30,771,152 | 26,913,029 |
| Expenses: | | | | | | |
| General government | 941,813 | 928,485 | - | - | 941,813 | 928,485 |
| Health and welfare | 13,090,357 | 12,055,439 | - | - | 13,090,357 | 12,055,439 |
| Inspection and regulation | 157,786 | 176,354 | - | - | 157,786 | 176,354 |
| Education | 5,706,667 | 6,084,342 | - | - | 5,706,667 | 6,084,342 |
| Protection and safety | 1,451,571 | 1,514,282 | - | - | 1,451,571 | 1,514,282 |
| Transportation | 511,397 | 695,070 | - | - | 511,397 | 695,070 |
| Natural resources | 183,535 | 228,430 | - | - | 183,535 | 228,430 |
| Intergovernmental revenue sharing | 2,585,683 | 2,755,710 | - | - | 2,585,683 | 2,755,710 |
| Interest on long-term debt | 261,518 | 222,851 | - | - | 261,518 | 222,851 |
| Universities | - | - | 3,343,377 | 3,290,033 | 3,343,377 | 3,290,033 |
| Unemployment Compensation | - | - | 2,103,028 | 1,086,330 | 2,103,028 | 1,086,330 |
| Industrial Commission Special Fund | - | - | 67,750 | 30,055 | 67,750 | 30,055 |
| Lottery | - | - | 432,150 | 395,950 | 432,150 | 395,950 |
| Other business-type activities | - | - | 126,029 | 142,229 | 126,029 | 142,229 |
| Total Expenses | 24,890,327 | 24,660,963 | 6,072,334 | 4,944,597 | 30,962,661 | 29,605,560 |
| Excess (deficiency) before contributions, special item, extraordinary item, and transfers | 940,234 | (1,329,295) | (1,131,743) | (1,363,236) | (191,509) | (2,692,531) |
| Contributions to permanent endowments | - | - | 3,020 | 4,014 | 3,020 | 4,014 |
| Special item: | | | | | | |
| Intergovernmental transfer of Sundome Center for the Performing Arts | - | - | - | 7,240 | - | 7,240 |
| Extraordinary item: | | | | | | |
| Insurance recovery, net of impairment loss | - | - | 7,080 | 2,720 | 7,080 | 2,720 |
| Transfers | (809,864) | (983,006) | 809,864 | 983,006 | - | - |
| Change in Net Assets | 130,370 | (2,312,301) | (311,779) | (366,256) | (181,409) | (2,678,557) |
| Net Assets - July 1 | 16,100,685 | 18,412,986 | 2,790,965 | 3,157,221 | 18,891,650 | 21,570,207 |
| Net Assets - June 30 | \$ 16,231,055 | \$ 16,100,685 | \$ 2,479,186 | \$ 2,790,965 | \$ 18,710,241 | \$ 18,891,650 |

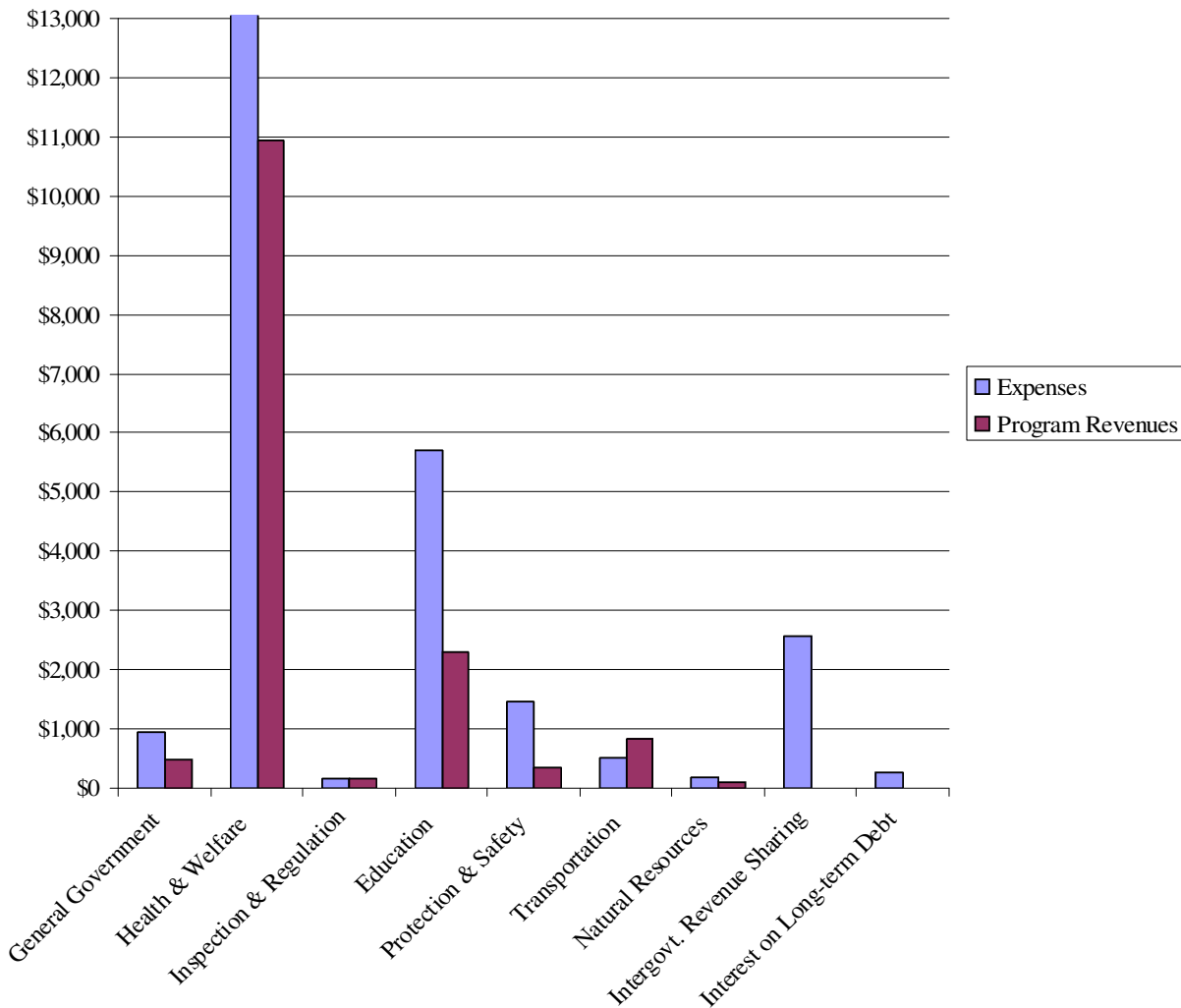
Change in Net Assets

Governmental Activities - During the prior fiscal year, expenses were higher than revenues, resulting in a decrease in net assets of \$2.3 billion. However, during the current fiscal year, program revenues increased and several expenses were decreased by legislative cuts to result in a positive change in net assets of \$130.370 million. Operating grant and contribution revenues increased \$3.1 billion, or 29%, as compared to fiscal year 2009. These revenues partially consisted of federal stimulus funds received through the American Recovery and Reinvestment Act of 2009 (ARRA). Reported income tax and sales tax revenues decreased by \$316.081 million, or 10%, and \$413.513 million, or 8%, as compared to fiscal year 2009, respectively. The costs of the State's health and welfare increased \$1.0 billion, or 9%, as compared to fiscal year 2009, primarily due to the spending of ARRA funds. However, expenses were reduced, from the prior year, by a combined total of \$687.522 million for inspection and regulation, education, protection and safety, transportation, and natural resources.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2010 and 2009. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

| | Governmental Activities (expressed in thousands) | | | |
|-----------------------------------|-----------------------------------------------------|----------------------|-------------------------------|----------------------|
| | Total Cost of Services | | Net Cost (Income) of Services | |
| | 2010 | 2009 | 2010 | 2009 |
| Functions/Programs: | | | | |
| General government | \$ 941,813 | \$ 928,485 | \$ 458,954 | \$ 594,087 |
| Health and welfare | 13,090,357 | 12,055,439 | 2,147,391 | 2,654,326 |
| Inspection and regulation | 157,786 | 176,354 | (5,925) | 4,577 |
| Education | 5,706,667 | 6,084,342 | 3,410,225 | 5,128,458 |
| Protection and safety | 1,451,571 | 1,514,282 | 1,102,866 | 1,277,463 |
| Transportation | 511,397 | 695,070 | (334,359) | (86,556) |
| Natural resources | 183,535 | 228,430 | 75,171 | 129,374 |
| Intergovernmental revenue sharing | 2,585,683 | 2,755,710 | 2,585,683 | 2,755,710 |
| Interest on long-term debt | 261,518 | 222,851 | 261,518 | 222,851 |
| Total Governmental Activities | <u>\$ 24,890,327</u> | <u>\$ 24,660,963</u> | <u>\$ 9,701,524</u> | <u>\$ 12,680,290</u> |

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2010
(in millions of dollars)



Business-type Activities - The net assets decreased by \$311.779 million, or 11%. This decrease was primarily caused by the net decrease in the Unemployment Compensation Fund of \$550.848 million and partially offset with the net increase in the Universities Fund of \$234.069 million. The Unemployment Compensation Fund had an increase in costs of sales and benefits of \$1.0 billion, which was mostly offset by increases in unemployment assessments and intergovernmental revenue of \$88.238 million and \$858.030 million, respectively. However, operating expenses still exceeded operating revenues by \$554.948 million for the current year. Arizona's unemployment rate increased from 9.3% at June 30, 2009, to 9.6% at June 30, 2010. On average, there were 299 thousand individuals who were unemployed during fiscal year 2010 compared with 233 thousand individuals who were unemployed during fiscal year 2009. The Universities Fund net increase was primarily attributed to increased tuition and fee rates and enrollment. Federal Fiscal Stabilization Funds received from ARRA were used to help offset reductions in State appropriations.

A comparison of the net cost (income) of services by function for the State's business-type activities is shown on the next page for fiscal years 2009 and 2010. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

Business-type Activities
(expressed in thousands)

| | Total Cost of Services | | Net Cost (Income) of Services | |
|--------------------------------|------------------------|---------------------|-------------------------------|---------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Functions/Programs: | | | | |
| Universities | \$ 3,343,377 | \$ 3,290,033 | \$ 837,324 | \$ 1,129,521 |
| Unemployment Compensation | 2,103,028 | 1,086,330 | 546,269 | 445,737 |
| Industrial Commission | | | | |
| Special Fund | 67,750 | 30,055 | 50,170 | 5,135 |
| Lottery | 432,150 | 395,950 | (119,342) | (88,536) |
| Other | 126,029 | 142,229 | (7,522) | (1,857) |
| Total Business-type Activities | <u>\$ 6,072,334</u> | <u>\$ 4,944,597</u> | <u>\$ 1,306,899</u> | <u>\$ 1,490,000</u> |

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The general government functions are contained in the general, special revenue, debt service, capital projects, and permanent funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2010, unreserved fund balance of the General Fund had a deficit of \$825.081 million, while total fund balance closed the year at a deficit of \$754.731 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents a negative 4% of total expenditures and other financing uses, while total fund balance represents a negative 3% of the same amount.

The fund balance of the State's General Fund increased \$223.547 million during the fiscal year. The primary reason for the increase in fund balance during the fiscal year is the State issued \$425.420 million of revenue bonds and \$998.795 million of certificates of participation. Otherwise, the fund balance of the State's General Fund would have decreased during the fiscal year, as expenditures were \$21.9 billion and revenues were \$21.0 billion. Although intergovernmental revenues increased \$2.2 billion (21%) from the prior fiscal year, sales tax revenues decreased \$298.994 million (6%) and income tax revenues decreased \$332.376 million (11%). In particular, sales taxes paid by retail stores and construction contractors decreased by 7% and 37%, respectively, when compared to fiscal year 2009 sales tax receipts. In addition, income tax collections decreased from the previous fiscal year as a result of the, on average, 299 thousand individuals that were unemployed during fiscal year 2010 compared with 233 thousand individuals who were unemployed during fiscal year 2009 and a decrease in the amount of corporate income taxes collected during the fiscal year.

Health and welfare expenditures and intergovernmental revenue (including federal grants and county funding) increased by \$1.1 billion, or 9%, and \$2.2 billion, or 21%, as compared to fiscal year 2009, respectively. The increase in expenditures in fiscal year 2010 can be attributed to increased enrollment in the Arizona Health Care Cost Containment System's (AHCCCS) programs. During the final six months of fiscal year 2010, the AHCCCS enrollment growth began to slow following the most significant period of enrollment increase since the Proposition 204 expansion in calendar years 2001 to 2003. From February 2007 to December 2009, AHCCCS enrollment increased in 31 out of 34 months for a total increase of 342,500 members, or an increase of 33.4%. The total enrollment decreased by 14,239 from December 2009 to August 2010, primarily driven by the January 1, 2010 enrollment cap in the KidsCare program and decreases to the Federal Emergency Services (FES) undocumented population. Excluding the KidsCare and FES populations, the Title XIX full services membership populations increased by 31,700, or 2.6%, from December 2009 to

August 2010. The intergovernmental revenue increase was partially due to the receipt of federal stimulus funds from ARRA.

Education expenditures decreased by \$173.061 million, or 3%, compared to fiscal year 2009. The decrease can be primarily attributed to a decrease in State assistance for kindergarten through twelfth grade (K-12) and University operating expenditures to address budget shortfalls. In addition, the Arizona Department of Education's spending was reduced by \$250.000 million due to the restoration of the State Equalization Tax Rate in fiscal year 2010. This was expected to generate a corresponding amount in new local property tax funds.

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance increased \$54.753 million during fiscal year 2010. The fund balance increase was due, in part, to a decrease in the distributions to Arizona counties and cities during fiscal year 2010, as collections for the Transportation and Aviation Planning, Highway Maintenance and Safety Fund decreased. In addition, the Transportation and Aviation Planning, Highway Maintenance and Safety Fund transfers to the General Fund and other State agencies decreased in fiscal year 2010 because the amount stipulated by the State Legislature decreased.

Land Endowments Fund

The fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. The Land Endowments Fund total fund balance increased \$478.820 million during fiscal year 2010. Endowment investments increased \$477.338 million, at fiscal year end, due to receipts from land sales of \$78.564 million and a net increase in the fair value of investments of \$374.553 million.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial statements analysis on **page 27**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budgetary Comparison Schedules for the major governmental funds are in the Required Supplementary Information section beginning on **page 133**. Differences between the original budget of \$15.2 billion and the final amended budget of \$16.3 billion resulted in a \$1.1 billion net increase in appropriations for the General Fund, before adjustments. Some of the significant changes in the General Fund appropriations were:

1. \$218.235 million increase due to prior fiscal year obligations that were paid in the current fiscal year per ARS §35-191
2. \$2.5 billion increase for the Department of Education's Basic State Aid Entitlement and Additional State Aid to Schools, which usually are included in the original budget, but were vetoed and made later under supplemental appropriations
3. \$874.834 million decrease to the AHCCCS was primarily due to the expected General Fund savings that are associated with the enhanced Federal Medical Assistance Percentage (FMAP) and the Medicare Clawback payments implemented by ARRA
4. \$350.875 million decrease to the Department of Economic Security was primarily due to agency budget reductions and the expected General Fund savings that are associated with the enhanced FMAP and the Medicare Clawback payments implemented by ARRA
5. \$200.000 million decrease for the deferral of appropriations to the Universities Fund

6. \$71.750 million decrease to the Universities Fund due to the expected General Fund savings that are associated with ARRA
7. \$47.333 million decrease for reductions to the Universities Fund appropriations
8. \$34.462 million increase to the Universities Fund to make debt service payments associated with the financing of research infrastructure projects
9. \$20.000 million increase for the Parks Board `Growing Smarter` transfer to the Land Conservation Fund per ARS §41-511.23 to provide grants to purchase State trust land for conservation purposes

The actual expenditures were less than the final budget by \$698.532 million, after adjustments. Of this amount, \$55.354 million will continue as legislative multiple fiscal year spending authority for fiscal years 2011 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$643.178 million represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 160-162 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2010 totaled \$22.7 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 7%, with a 7% increase in capital assets used for governmental activities and a 4% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled \$342.884 million.

Major capital asset activity during the current fiscal year included the following:

- ⌘ The Universities' additions to capital assets totaled \$354.428 million and included increased investments in instruction, research, student housing, athletic facilities, and other capital projects.
- ⌘ The ADOT started or completed roads and bridges totaling \$1.4 billion during the fiscal year.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to the end of the current fiscal year. Capital asset purchases of the governmental funds are reported in the fund-level financial statements as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2010 are presented below (expressed in thousands):

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 2,602,541 | \$ 2,488,112 | \$ 185,292 | \$ 181,400 | \$ 2,787,833 | \$ 2,669,512 |
| Buildings | 1,895,998 | 1,754,959 | 3,982,408 | 3,877,636 | 5,878,406 | 5,632,595 |
| Improvements other than buildings | 151,356 | 135,097 | 4,811 | 4,811 | 156,167 | 139,908 |
| Equipment | 728,811 | 713,524 | 1,413,422 | 1,345,615 | 2,142,233 | 2,059,139 |
| Software and other intangibles | 130,988 | 61,223 | - | - | 130,988 | 61,223 |
| Collections (non-depreciable) | - | - | 17,749 | 17,882 | 17,749 | 17,882 |
| Infrastructure | 11,058,408 | 10,647,110 | 383,883 | 367,408 | 11,442,291 | 11,014,518 |
| Construction in progress | 3,823,110 | 3,199,253 | 255,196 | 131,054 | 4,078,306 | 3,330,307 |
| Development in progress | 84,277 | 83,069 | - | - | 84,277 | 83,069 |
| Less: accumulated depreciation | (1,349,975) | (1,222,790) | (2,712,620) | (2,521,193) | (4,062,595) | (3,743,983) |
| Total | <u>\$ 19,125,514</u> | <u>\$ 17,859,557</u> | <u>\$ 3,530,141</u> | <u>\$ 3,404,613</u> | <u>\$ 22,655,655</u> | <u>\$ 21,264,170</u> |

The governmental activities capital asset ending balances for the year ended June 30, 2009 have been reclassified due to the implementation of GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets.

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, that the ADOT is responsible for maintaining, using the modified approach as described in Note 1H. Assets accounted for under the modified approach include 6,789 center lane miles (18,771 travel lane miles) and 4,700 bridges.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.71 was achieved for fiscal year 2010.

The State manages its bridges using the Arizona Bridge Information and Storage System. The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to maintain a Condition Rating Index (CRI) of 92.5% or better. In fiscal year 2010, a CRI of 93.2% was obtained.

In addition to many smaller projects, each of the following major highway construction projects in excess of \$10.000 million were started during fiscal year 2010 (expressed in thousands):

| Project Description | Contract Start Date | Contract Amount | Current Year Expenditures ¹ |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|-----------------------------------------------|
| Major widening of Interstate 10 from Sarival Avenue to Dysart Road in Maricopa County. | 9/18/09 | \$ 30,936 | \$ 15,244 |
| Major widening of Interstate 10 from Verrado Way to Sarival Avenue in Maricopa County. | 7/17/09 | 21,800 | 11,825 |
| Capacity additions and reconstruction of State Route 260 in Little Green Valley in Gila County. | 7/17/09 | 19,699 | 5,395 |
| Major widening of US 60 from State Route Loop 303 to 99th Avenue in Maricopa County. | 11/20/09 | 17,970 | 5,022 |
| Construction of a traffic interchange on State Route Loop 101 at Beardsley Road and Union Hills Drive in Maricopa County. | 10/16/09 | 14,771 | 5,741 |
| Major widening of Interstate 10 at the Picacho Peak traffic interchange in Pinal County. | 7/17/09 | 13,133 | 8,954 |
| Major widening of State Route 87 from Four Peaks Road to Dos S Ranch Road in Maricopa County. | 2/10/10 | 10,777 | - |

¹ Construction expenditures are strictly those costs paid to the primary contractor for each project shown.

In addition to many smaller projects, the following major highway construction projects had expenditures in excess of \$15.000 million in fiscal year 2010 (expressed in thousands):

| Project Description | Project Expenditures ² |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| State Route Loop 202 from the Interstate 10 and State Route 51 interchange to State Route Loop 101 in Maricopa County. | \$ 145,804 |
| State Route Loop 303 from Happy Valley Parkway to Lake Pleasant Parkway in Maricopa County. | 54,746 |
| Interstate 17 from Jomax Road to Carefree Highway in Maricopa County. | 47,732 |
| State Route Loop 303 from Lake Pleasant Parkway to Interstate 17 in Maricopa County. | 44,276 |
| State Route Loop 303 and Interstate 10 traffic interchange in Maricopa County. | 43,823 |
| Interstate 10 and Twin Peaks traffic interchange in Pima County. | 40,131 |
| US Highway 93 at Hoover Dam in Mohave County. | 38,922 |
| Interstate 10 from Prince Road to 29th Street in Pima County. | 17,467 |
| State Route Loop 202 from State Route Loop 101 to Gilbert Road in Maricopa County. | 16,914 |
| State Route Loop 303 traffic interchanges at Bell, Waddell, and Cactus Roads in Maricopa County. | 16,881 |
| Interstate 10 from Sarival Avenue to State Route Loop 101 in Maricopa County. | 16,655 |
| Interstate 10 from Sarival Avenue to Dysart Road in Maricopa County. | 15,781 |
| State Route 24 (Williams Gateway Airport) from State Route Loop 202 to Ellsworth Road in Maricopa County. | 15,400 |

² Project expenditures include not only construction costs, but also engineering and design work, payroll (if applicable), and any other project related costs.

More detailed information regarding capital assets is on pages 90 and 91.

Long-term debt:

The State issues no general obligation debt instruments. The Arizona Constitution, under Article 9, Section 5, provides that the State may contract debts not to exceed \$350 thousand. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of the State government. As a result, the State pledges either dedicated revenue streams or the constructed building or equipment acquired as security for the repayment of long-term debt instruments.

Major long-term debt activity during the current fiscal year included the following:

- ⌘ The State issued revenue bonds totaling \$425.420 million to provide monies to deposit in the State's General Fund to pay appropriated expenditures of the State and to pay the costs of issuing the bonds.
- ⌘ The Universities issued revenue bonds for \$505.110 million to fund the acquisition, construction, or renovation of capital facilities and infrastructure, and refund obligations from certain previously issued bonds.
- ⌘ The State issued \$998.795 million of certificates of participation to finance the acquisition of certain property from the State by the Trustee and to pay the costs of the issuances. The net proceeds received by the Trustee were immediately transferred from the Proceeds Fund to the State's General Fund to pay appropriated expenditures of the State.

State of Arizona-Primary Government
Outstanding Major Long-Term Debt as of June 30, 2010
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenue bonds | \$ 3,522,605 | \$ 3,251,580 | \$ 1,692,825 | \$ 1,239,675 | \$ 5,215,430 | \$ 4,491,255 |
| Capital leases | 412,919 | 236,125 | 171,448 | 175,453 | 584,367 | 411,578 |
| Certificates of participation | 2,571,125 | 1,649,870 | 840,719 | 872,829 | 3,411,844 | 2,522,699 |
| Total | <u>\$ 6,506,649</u> | <u>\$ 5,137,575</u> | <u>\$ 2,704,992</u> | <u>\$ 2,287,957</u> | <u>\$ 9,211,641</u> | <u>\$ 7,425,532</u> |

More detailed information regarding long-term debt begins on page 97.

ECONOMIC CONDITION AND OUTLOOK

Arizona's economy, along with the rest of the nation, continued to contract in fiscal year 2010, as problems in the financial and housing markets continued, along with continued decline in labor markets. The current set of elements inhibiting growth in the economy include high levels of unemployment, large debt loads, reduced income and wealth, weak housing and commercial real estate markets, rising health care costs, and budget deficits in state and local governments. In addition, Arizona's personal income figures have demonstrated near historic lows in over-the-year growth.

According to the Arizona Department of Commerce, Research Administration (RA), impetus provided by the federal government economic stimulus programs and improved private sector employment observed domestically helped reduce projected losses in Arizona's nonfarm employment in 2010 to 25,700. In contrast, in 2011, the anticipated winding down of the federal government economic stimulus programs, lackluster growth in consumer and business spending currently observed within the private sector, low population growth, limited consumer and small business lending by banks, and deficits in the State and local budgets have decreased the amount of projected gains by the RA in Arizona's nonfarm employment to 16,500.

The State is experiencing its worst economic recession since World War II. As reported in the State's financial statements over the period of fiscal year end 2007 through fiscal year end 2010, the sales tax and income tax revenues in the State's General Fund decreased by \$1.3 billion, or 23%, and \$1.8 billion, or 39%, respectively. Due to the continued economic downturn and an on-going structural deficit, the State's General Fund was projected with a fiscal

year 2010 ending balance shortfall. The State Legislature enacted a series of laws that eliminated the shortfall and made progress towards correcting the State's structural deficit. Significant measures include deep cuts to State agencies' General Fund spending authority, transfer of amounts from other funds, and increased temporary suspension of cash payments to the Universities and K-12 education. Furthermore, the State Legislature authorized sale-leaseback transactions of certain property through the issuance of COPs and the issuance of State Lottery Revenue Bonds, the proceeds of which were deposited in the State's General Fund to pay appropriated expenditures.

The State will continue to use ARRA federal stimulus funds as part of the measures to balance the budget. The State is scheduled to receive ARRA funding through fiscal year 2011 which is a direct help to the General Fund, to be used largely for education and for health/welfare programs. For the years ended June 30, 2010 and 2009, the State recorded \$1.7 billion and \$768.530 million in ARRA revenue, respectively. Additionally, a temporary 1-cent increase in the transaction privilege tax referred to the voters by the State Legislature was approved in the special election held on May 18, 2010. The increase is effective June 1, 2010 and expires May 31, 2013. The temporary sales tax is estimated to generate an additional \$846 million to the General Fund in fiscal year 2011.

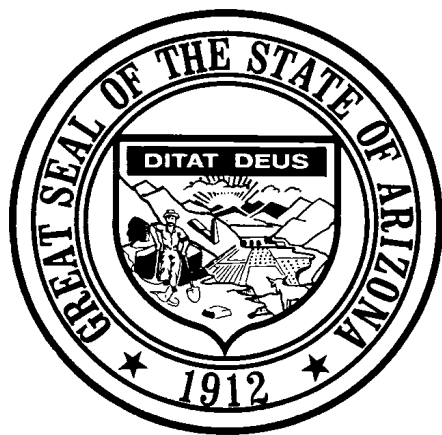
Further, the decline in tax revenues created problems in the management of the State's cash flow needs. As a result, throughout most of fiscal year 2010, the State Treasurer issued Treasurer's Warrant Notes (TWNs) in lieu of immediate payment of warrants presented to the State Treasurer for authorized General Fund expenditures. No TWNs were outstanding at June 30, 2010, and cash flow projections indicate that TWNs will not be needed in fiscal year 2011.

Despite imposing the largest spending reductions in State history, eliminating State services and programs, and reducing the State workforce by approximately 10%, the General Fund is projected with a fiscal year 2011 ending balance shortfall of approximately \$764 million. In development of the fiscal year 2012 budget, the State will be addressing most of the remaining structural deficit of approximately \$1.5 billion, or 16% of the continuing budget. The Medicaid program, which has federal and voter mandated funding, is a major cost component creating the structural deficit. There has been tremendous growth in Medicaid spending, which over the last four years, has increased by approximately 65% and now accounts for 29% of the State's budget. The State can no longer afford the Medicaid program as it currently exists and discussion of potential reform of this program is being considered to control these costs. The State continues to work towards creating a permanent budget restructuring that realigns the State's revenues and expenditures so that the State's structural deficit can be eliminated.

CONTACTING THE STATE COMPTROLLER'S OFFICE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Arizona Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. You may also access and print this report at <http://www.gao.az.gov/financials/>.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 68**.



BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS | | |
|---------------------------------------------------------------------------------|----------------------------|-----------------------------|--------------------------------|-------------------------|----------------------------------------|-----------------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL PRIMARY GOVERNMENT | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES |
| | | | | RIO NUEVO | GREATER AZ DEVELOPMENT AUTHORITY | |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash | \$ 5,774 | \$ 479,888 | \$ 485,662 | \$ 9,380 | \$ - | \$ 1,214 |
| Cash with U.S. Treasury | - | 16,690 | 16,690 | - | - | - |
| Cash and pooled investments with State Treasurer | 1,671,434 | 76,457 | 1,747,891 | - | 2,018 | 71,827 |
| Restricted cash and pooled investments with State Treasurer | - | 66,819 | 66,819 | - | - | - |
| Cash held by trustee | - | - | - | - | - | 4,703 |
| Collateral investment pool | 714,163 | 44,180 | 758,343 | - | - | 3,636 |
| Short-term investments | - | 105,865 | 105,865 | - | - | 124,297 |
| Restricted investments held by trustee | - | - | - | - | - | 15,819 |
| Receivables, net of allowances: | | | | | | |
| Taxes | 598,706 | 86,661 | 685,367 | 2,092 | - | - |
| Interest | 240,686 | 3,397 | 244,083 | 7 | - | 12,779 |
| Loans and notes | 28,906 | 7,863 | 36,769 | - | - | - |
| Patient accounts receivable | - | - | - | - | - | 77,503 |
| Other | 129,574 | 158,176 | 287,750 | - | - | 57,469 |
| Internal balances | (149,905) | 149,905 | - | - | - | - |
| Due from U.S. Government | 901,555 | 87,902 | 989,457 | - | - | - |
| Due from local governments | 26,784 | - | 26,784 | - | - | - |
| Due from others | 60 | - | 60 | - | - | - |
| Inventories, at cost | 13,120 | 26,450 | 39,570 | - | - | 12,300 |
| Other current assets | 55,959 | 4,262 | 60,221 | 40 | - | 5,624 |
| Total Current Assets | 4,236,816 | 1,314,515 | 5,551,331 | 11,519 | 2,018 | 387,171 |
| Noncurrent Assets: | | | | | | |
| Restricted assets: | | | | | | |
| Cash | 66 | 17,851 | 17,917 | - | - | - |
| Cash and pooled investments with State Treasurer | 1,038,242 | - | 1,038,242 | - | 10,465 | - |
| Cash held by trustee | 40,107 | 348,951 | 389,058 | 18,439 | - | - |
| Investments | 2,517 | 10,248 | 12,765 | - | - | - |
| Investments held by trustee | - | 233,202 | 233,202 | - | - | 49,785 |
| Receivables, net of allowances: | | | | | | |
| Loans and notes | 581,925 | 34,147 | 616,072 | - | - | 1,158,137 |
| Other | - | 7,473 | 7,473 | 6,367 | - | - |
| Securities held in escheat | 51,204 | - | 51,204 | - | - | - |
| Investments | - | 488,518 | 488,518 | - | - | 105,257 |
| Endowment investments | 2,713,668 | 254,052 | 2,967,720 | - | - | - |
| Deferred outflow - interest rate swap | - | 11,126 | 11,126 | - | - | - |
| Other noncurrent assets | 12,613 | 20,053 | 32,666 | 1,944 | - | 48,998 |
| Capital assets: | | | | | | |
| Infrastructure, land, and other non-depreciable | 17,546,716 | 458,237 | 18,004,953 | 42,761 | - | 27,485 |
| Buildings, equipment, and other depreciable, net of accumulated depreciation | 1,578,798 | 3,071,904 | 4,650,702 | 28,493 | - | 285,774 |
| Total Noncurrent Assets | 23,565,856 | 4,955,762 | 28,521,618 | 98,004 | 10,465 | 1,675,436 |
| Total Assets | 27,802,672 | 6,270,277 | 34,072,949 | 109,523 | 12,483 | 2,062,607 |

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

| (Expressed in Thousands) | PRIMARY GOVERNMENT | | | COMPONENT UNITS | | | |
|-------------------------------------------------|----------------------------|-----------------------------|--------------------------------|-------------------------|----------------------------------------|-----------------------------|--|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL PRIMARY GOVERNMENT | GOVERNMENTAL ACTIVITIES | | | |
| | | | | RIO NUEVO | GREATER AZ DEVELOPMENT AUTHORITY | BUSINESS-TYPE ACTIVITIES | |
| LIABILITIES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts payable and other current liabilities | \$ 508,751 | \$ 135,803 | \$ 644,554 | \$ 4,204 | \$ - | \$ 58,997 | |
| Payable for securities purchased | - | 4,567 | 4,567 | - | - | - | |
| Accrued liabilities | 921,352 | 88,646 | 1,009,998 | 261 | - | 48,534 | |
| Obligations under securities loan agreements | 714,163 | 44,180 | 758,343 | - | - | 3,636 | |
| Due to U.S. Government | 5,301 | 7,650 | 12,951 | - | - | - | |
| Due to local governments | 1,207,082 | 31 | 1,207,113 | - | - | - | |
| Due to others | 178,433 | 103,573 | 282,006 | - | - | - | |
| Unearned deferred revenue | 81,871 | 117,405 | 199,276 | - | - | - | |
| Current portion of accrued insurance losses | 53,764 | 24,088 | 77,852 | - | - | 5,568 | |
| Current portion of long-term debt | 400,716 | 95,640 | 496,356 | 8,196 | - | 45,510 | |
| Current portion of other long-term liabilities | 170,884 | 15,472 | 186,356 | - | - | 9,182 | |
| Total Current Liabilities | 4,242,317 | 637,055 | 4,879,372 | 12,661 | - | 171,427 | |
| Noncurrent Liabilities: | | | | | | | |
| Unearned deferred revenue | 81,956 | 15,170 | 97,126 | - | - | 2,412 | |
| Contracts payable | - | 12,450 | 12,450 | 908 | - | - | |
| Accrued insurance losses | 319,953 | 391,196 | 711,149 | - | - | 8,845 | |
| Funds held for others | - | 30,244 | 30,244 | - | - | - | |
| Long-term debt | 6,801,550 | 2,639,360 | 9,440,910 | 94,770 | - | 1,186,124 | |
| Derivative instrument - interest rate swap | - | 11,126 | 11,126 | - | - | - | |
| Other long-term liabilities | 125,841 | 54,490 | 180,331 | - | - | 8,887 | |
| Total Noncurrent Liabilities | 7,329,300 | 3,154,036 | 10,483,336 | 95,678 | - | 1,206,268 | |
| Total Liabilities | 11,571,617 | 3,791,091 | 15,362,708 | 108,339 | - | 1,377,695 | |
| NET ASSETS | | | | | | | |
| Invested in capital assets, net of related debt | 15,738,121 | 1,352,658 | 17,090,779 | 36,293 | - | 47,457 | |
| Restricted for: | | | | | | | |
| Federal grants | 47,463 | - | 47,463 | - | - | - | |
| Capital projects | 565,534 | 2,819 | 568,353 | - | - | - | |
| Unemployment Compensation | - | 68,155 | 68,155 | - | - | - | |
| Debt service | 25,262 | 34,393 | 59,655 | 12,920 | 10,465 | - | |
| Permanent fund and Universities fund: | | | | | | | |
| Expendable | 181,728 | 202,691 | 384,419 | - | - | - | |
| Nonexpendable | 3,330,361 | 166,399 | 3,496,760 | - | - | - | |
| Loans and other financial assistance: | | | | | | | |
| Expendable | - | 75,619 | 75,619 | - | - | 379,482 | |
| Other purposes | 497,932 | 26 | 497,958 | - | - | 22,127 | |
| Unrestricted (deficit) | (4,155,346) | 576,426 | (3,578,920) | (48,029) | 2,018 | 235,846 | |
| Total Net Assets | \$ 16,231,055 | \$ 2,479,186 | \$ 18,710,241 | \$ 1,184 | \$ 12,483 | \$ 684,912 | |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF FINANCIAL POSITION
 UNIVERSITIES - AFFILIATED COMPONENT UNITS
 JUNE 30, 2010
 (Expressed in Thousands)

ASSETS

| | | |
|------------------------------------------------------------|----|------------------|
| Cash and cash equivalent investments | \$ | 69,068 |
| Receivables: | | |
| Pledges receivable | | 151,092 |
| Other receivables | | 21,360 |
| Total receivables | | <u>172,452</u> |
| Investments: | | |
| Investments in securities | | 981,522 |
| Investments held in trust for Universities | | 35,334 |
| Other investments | | 49,259 |
| Total investments | | <u>1,066,115</u> |
| Net direct financing leases | | 121,342 |
| Property and equipment, net of accumulated depreciation | | 417,242 |
| Licenses | | 4,530 |
| Other assets | | <u>41,325</u> |
| Total Assets | | <u>1,892,074</u> |

LIABILITIES

| | | |
|-------------------------------------------------------------|--|----------------|
| Liability under Universities' endowment trust agreements | | 101,901 |
| Bonds payable | | 653,219 |
| Unearned revenue | | 30,889 |
| Other liabilities | | <u>74,987</u> |
| Total Liabilities | | <u>860,996</u> |

NET ASSETS

| | | |
|------------------------|----|------------------|
| Permanently restricted | | 699,171 |
| Temporarily restricted | | 336,414 |
| Unrestricted | | <u>(4,507)</u> |
| Total Net Assets | \$ | <u>1,031,078</u> |

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Thousands)

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | |
|---------------------------------------------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| PRIMARY GOVERNMENT: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 941,813 | \$ 208,316 | \$ 274,543 | \$ - |
| Health and welfare | 13,090,357 | 109,405 | 10,833,561 | - |
| Inspection and regulation | 157,786 | 143,329 | 20,382 | - |
| Education | 5,706,667 | 66,911 | 2,229,531 | - |
| Protection and safety | 1,451,571 | 158,867 | 189,838 | - |
| Transportation | 511,397 | 123,372 | 146,936 | 575,448 |
| Natural resources | 183,535 | 67,313 | 40,472 | 579 |
| Intergovernmental revenue sharing | 2,585,683 | - | - | - |
| Interest on long-term debt | 261,518 | - | - | - |
| Total Governmental Activities | 24,890,327 | 877,513 | 13,735,263 | 576,027 |
| Business-type Activities: | | | | |
| Universities | 3,343,377 | 1,432,055 | 1,061,435 | 12,563 |
| Unemployment Compensation | 2,103,028 | 358,865 | 1,197,894 | - |
| Industrial Commission Special Fund | 67,750 | 17,580 | - | - |
| Lottery | 432,150 | 551,492 | - | - |
| Other | 126,029 | 132,809 | 742 | - |
| Total Business-type Activities | 6,072,334 | 2,492,801 | 2,260,071 | 12,563 |
| Total Primary Government | \$ 30,962,661 | \$ 3,370,314 | \$ 15,995,334 | \$ 588,590 |
| COMPONENT UNITS: | | | | |
| Governmental Activities: | | | | |
| Rio Nuevo | \$ 9,602 | \$ 3,733 | \$ - | \$ - |
| Greater Arizona Development Authority | 2,228 | - | - | - |
| Total Governmental Activities | \$ 11,830 | \$ 3,733 | \$ - | \$ - |
| Business-type Activities: | | | | |
| Water Infrastructure Finance Authority | \$ 79,530 | \$ 36,137 | \$ 72,203 | \$ - |
| University Medical Center | 550,982 | 567,639 | - | 1,475 |
| Arizona Power Authority | 30,850 | 30,927 | - | - |
| Total Business-type Activities | \$ 661,362 | \$ 634,703 | \$ 72,203 | \$ 1,475 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Sales | | | | |
| Income | | | | |
| Tobacco | | | | |
| Property | | | | |
| Motor vehicle and fuel | | | | |
| Other | | | | |
| Unrestricted investment earnings | | | | |
| Unrestricted grants and contributions | | | | |
| Gain on sale of trust land | | | | |
| Miscellaneous | | | | |
| Contributions to permanent endowments | | | | |
| Extraordinary Items: | | | | |
| Insurance recovery, net of impairment loss | | | | |
| Transfers | | | | |
| Total General Revenues, Contributions, Extraordinary Items, and Transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning | | | | |
| Net Assets - Ending | | | | |

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

| PRIMARY GOVERNMENT | | | COMPONENT UNITS | | |
|----------------------------|-----------------------------|--------------------------------|-------------------------|----------------------------------------|-----------------------------|
| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL PRIMARY GOVERNMENT | GOVERNMENTAL ACTIVITIES | | |
| | | | RIO NUEVO | GREATER AZ DEVELOPMENT AUTHORITY | BUSINESS-TYPE ACTIVITIES |
| \$ (458,954) | | \$ (458,954) | | | |
| (2,147,391) | | (2,147,391) | | | |
| 5,925 | | 5,925 | | | |
| (3,410,225) | | (3,410,225) | | | |
| (1,102,866) | | (1,102,866) | | | |
| 334,359 | | 334,359 | | | |
| (75,171) | | (75,171) | | | |
| (2,585,683) | | (2,585,683) | | | |
| (261,518) | | (261,518) | | | |
| (9,701,524) | | (9,701,524) | | | |
| | \$ (837,324) | (837,324) | | | |
| | (546,269) | (546,269) | | | |
| | (50,170) | (50,170) | | | |
| | 119,342 | 119,342 | | | |
| | 7,522 | 7,522 | | | |
| | (1,306,899) | (1,306,899) | | | |
| (9,701,524) | (1,306,899) | (11,008,423) | | | |
| | | | \$ (5,869) | \$ (2,228) | |
| | | | \$ (5,869) | \$ (2,228) | |
| | | | | | \$ 28,810 |
| | | | | | 18,132 |
| | | | | | 77 |
| | | | | | 47,019 |
| 5,029,050 | 52,318 | 5,081,368 | 9,322 | - | - |
| 2,809,995 | - | 2,809,995 | - | - | - |
| 332,893 | - | 332,893 | - | - | - |
| 31,417 | - | 31,417 | - | - | - |
| 1,583,790 | - | 1,583,790 | - | - | - |
| 535,435 | - | 535,435 | - | - | - |
| 37,665 | 70,766 | 108,431 | 204 | 459 | 10,000 |
| 13,213 | - | 13,213 | - | - | - |
| 64,005 | - | 64,005 | - | - | - |
| 204,295 | 52,072 | 256,367 | - | - | - |
| - | 3,020 | 3,020 | - | - | - |
| - | 7,080 | 7,080 | - | - | - |
| (809,864) | 809,864 | - | - | - | - |
| 9,831,894 | 995,120 | 10,827,014 | 9,526 | 459 | 10,000 |
| 130,370 | (311,779) | (181,409) | 3,657 | (1,769) | 57,019 |
| 16,100,685 | 2,790,965 | 18,891,650 | (2,473) | 14,252 | 627,893 |
| \$ 16,231,055 | \$ 2,479,186 | \$ 18,710,241 | \$ 1,184 | \$ 12,483 | \$ 684,912 |

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | TOTAL |
|------------------------------------------------------------|--------------|---------------------------|---------------------------|--------------|
| REVENUES | | | | |
| Contributions | \$ 9,851 | \$ 82,642 | \$ 15,358 | \$ 107,851 |
| Rental revenue | 48,598 | - | - | 48,598 |
| Sales and services | 39,400 | 85 | - | 39,485 |
| Net investment income | 24,613 | 28,233 | 25,714 | 78,560 |
| Net assets released from restrictions | 118,990 | (111,442) | (7,548) | - |
| Licensing revenue | 2,434 | - | - | 2,434 |
| Other revenues | 29,299 | 4,290 | 156 | 33,745 |
| Total Revenues | 273,185 | 3,808 | 33,680 | 310,673 |
| EXPENSES | | | | |
| Program services: | | | | |
| Payments to Universities | 92,186 | - | - | 92,186 |
| Leasing related expenses | 8,651 | - | - | 8,651 |
| Payments on behalf of Universities | 18,440 | - | - | 18,440 |
| Other program services | 10,782 | - | - | 10,782 |
| Personal services, operations, and administrative expenses | 67,191 | - | - | 67,191 |
| Fundraising expenses | 8,250 | - | - | 8,250 |
| Interest | 27,590 | - | - | 27,590 |
| Depreciation and amortization | 20,937 | - | - | 20,937 |
| Other expenses | 9,201 | 7 | 6 | 9,214 |
| Total Expenses | 263,228 | 7 | 6 | 263,241 |
| Increase in Net Assets | 9,957 | 3,801 | 33,674 | 47,432 |
| Net Assets - Beginning | (14,890) | 332,829 | 665,707 | 983,646 |
| Transfers | 426 | (216) | (210) | - |
| Net Assets - Ending | \$ (4,507) | \$ 336,414 | \$ 699,171 | \$ 1,031,078 |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | TRANSPORTATION & AVIATION PLANNING, HIGHWAY LAND OTHER GOVERNMENTAL | | | | |
|--------------------------------------|------------------------------------------------------------------------------------|------------------------------|---------------------|---------------------|---------------------|
| | GENERAL FUND | MAINTENANCE & SAFETY FUND | ENDOWMENTS FUND | FUNDS | TOTAL |
| ASSETS | | | | | |
| Cash | \$ 1,405 | \$ - | \$ 28 | \$ 4,341 | \$ 5,774 |
| Cash and pooled investments with | | | | | |
| State Treasurer | 520,494 | 35,072 | 43,663 | 904,854 | 1,504,083 |
| Collateral investment pool | 42,018 | 15,266 | 631,827 | 25,052 | 714,163 |
| Receivables, net of allowances: | | | | | |
| Taxes | 476,876 | 60,649 | - | 61,181 | 598,706 |
| Interest | 25 | - | 240,661 | - | 240,686 |
| Loans and notes | - | 8,461 | 602,370 | - | 610,831 |
| Other | 79,743 | 7,661 | 10,422 | 23,904 | 121,730 |
| Due from U.S. Government | 785,757 | 110,329 | - | - | 896,086 |
| Due from local governments | 26,784 | - | - | - | 26,784 |
| Due from others | - | - | - | 60 | 60 |
| Due from other Funds | 33,783 | - | - | 19,251 | 53,034 |
| Inventories, at cost | 2,025 | 8,404 | - | 66 | 10,495 |
| Restricted assets: | | | | | |
| Cash | 66 | - | - | - | 66 |
| Cash and pooled investments with | | | | | |
| State Treasurer | 51,339 | 706,631 | - | 280,272 | 1,038,242 |
| Cash held by trustee | 12,983 | - | - | 27,124 | 40,107 |
| Investments | 2,517 | - | - | - | 2,517 |
| Securities held in escheat | 51,204 | - | - | - | 51,204 |
| Endowment investments | - | - | 2,713,668 | - | 2,713,668 |
| Other | 10,883 | 40,051 | - | 1 | 50,935 |
| Total Assets | <u>\$ 2,097,902</u> | <u>\$ 992,524</u> | <u>\$ 4,242,639</u> | <u>\$ 1,346,106</u> | <u>\$ 8,679,171</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and other | | | | | |
| current liabilities | \$ 233,944 | \$ 150,625 | \$ 40 | \$ 38,701 | \$ 423,310 |
| Accrued liabilities | 445,695 | 11,659 | 485 | 22,228 | 480,067 |
| Obligations under securities loan | | | | | |
| agreements | 42,018 | 15,266 | 631,827 | 25,052 | 714,163 |
| Due to U.S. Government | 5,301 | - | - | - | 5,301 |
| Due to local governments | 1,035,043 | 110,291 | - | 61,748 | 1,207,082 |
| Due to others | 178,162 | - | 1 | 270 | 178,433 |
| Due to other Funds | 211,995 | 7,937 | 1,655 | 15,994 | 237,581 |
| Unavailable deferred revenue | 634,150 | 8,461 | 837,136 | 940 | 1,480,687 |
| Unearned deferred revenue | 66,325 | - | 96,542 | 960 | 163,827 |
| Total Liabilities | <u>2,852,633</u> | <u>304,239</u> | <u>1,567,686</u> | <u>165,893</u> | <u>4,890,451</u> |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Highway construction | - | 554,180 | - | 255,317 | 809,497 |
| Other construction | - | - | - | 45,403 | 45,403 |
| School facilities improvements | 14,764 | - | - | - | 14,764 |
| Permanent funds | - | - | 2,674,953 | - | 2,674,953 |
| Continuing appropriations | 55,354 | 87,653 | - | 28,697 | 171,704 |
| Debt service | - | - | - | 26,389 | 26,389 |
| Other fund balance reservations | 232 | 40,327 | - | - | 40,559 |
| Unreserved | (825,081) | 6,125 | - | - | (818,956) |
| Unreserved reported in: | | | | | |
| Non-major special revenue funds | - | - | - | 824,407 | 824,407 |
| Total Fund Balances | <u>(754,731)</u> | <u>688,285</u> | <u>2,674,953</u> | <u>1,180,213</u> | <u>3,788,720</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,097,902</u> | <u>\$ 992,524</u> | <u>\$ 4,242,639</u> | <u>\$ 1,346,106</u> | <u>\$ 8,679,171</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
JUNE 30, 2010
(Expressed in Thousands)

Total fund balances - governmental funds \$ 3,788,720

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 19,063,763

Certain receivables related to reimbursements are not available at year end and, therefore, are not reported in the governmental funds. 1,769

Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 1,480,687

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (322,972)

The allocation of the internal service fund accumulated net loss results in an amount due from business-type activities, which is not reported in the governmental funds. 32,904

Deferred issue costs are reported as current expenditures in the governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets. 12,613

Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the governmental funds. These amounts consist of:

| | | |
|--------------------------------|-------------|-------------|
| Revenue bonds | (3,522,605) | |
| Grant anticipation notes | (304,480) | |
| Certificates of participation | (2,571,125) | |
| Capital leases | (412,919) | |
| Installment purchase contracts | (901) | |
| Notes payable | (60,712) | |
| Premium on debt | (334,721) | |
| Deferred amount on refundings | 5,197 | (7,202,266) |

Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. (414,409)

Accrued interest on long-term obligations is not due and payable from current financial resources and, therefore, is not reported in the governmental funds. (25,468)

Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. Those liabilities consist of:

| | | |
|-----------------------------------|-----------|-----------|
| Compensated absences | (163,098) | |
| Pollution remediation obligations | (21,190) | (184,288) |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Those assets consist of:

| | | |
|--------------------------|--|---|
| Other non-current assets | | 2 |
|--------------------------|--|---|

Net assets of governmental activities \$ 16,231,055

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | TRANSPORTATION & AVIATION PLANNING, | | | | |
|---------------------------------------------------|----------------------------------------|------------------------------|---------------------|-----------------------|---------------------|
| | GENERAL | HIGHWAY | LAND | OTHER | |
| | FUND | MAINTENANCE & SAFETY FUND | ENDOWMENTS FUND | GOVERNMENTAL FUNDS | TOTAL |
| REVENUES | | | | | |
| Taxes: | | | | | |
| Sales | \$ 4,370,699 | \$ 199,672 | \$ - | \$ 447,606 | \$ 5,017,977 |
| Income | 2,805,338 | - | - | 88 | 2,805,426 |
| Tobacco | 67,815 | - | - | 265,078 | 332,893 |
| Property | 21,890 | 9,527 | - | - | 31,417 |
| Motor vehicle and fuel | - | 1,585,919 | - | - | 1,585,919 |
| Other | 451,407 | - | - | 84,028 | 535,435 |
| Intergovernmental | 12,794,911 | 722,937 | - | 44,699 | 13,562,547 |
| Licenses, fees, and permits | 91,565 | 109,025 | 600 | 224,336 | 425,526 |
| Earnings on investments | 10,766 | 6,769 | 385,393 | 19,636 | 422,564 |
| Sales and charges for services | 98,552 | 866 | 71,060 | 41,828 | 212,306 |
| Fines, forfeitures, and penalties | 38,355 | - | - | 185,645 | 224,000 |
| Gaming | 5,417 | - | - | 72,137 | 77,554 |
| Tobacco settlement | 105,394 | - | - | - | 105,394 |
| Proceeds from sale of trust land | - | - | 78,564 | - | 78,564 |
| Other | 169,478 | 10,588 | 2,084 | 48,073 | 230,223 |
| Total Revenues | <u>21,031,587</u> | <u>2,645,303</u> | <u>537,701</u> | <u>1,433,154</u> | <u>25,647,745</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 790,719 | - | - | 140,531 | 931,250 |
| Health and welfare | 12,789,086 | - | 6,496 | 258,890 | 13,054,472 |
| Inspection and regulation | 45,194 | - | - | 112,267 | 157,461 |
| Education | 5,192,311 | - | 16,985 | 493,667 | 5,702,963 |
| Protection and safety | 1,274,928 | - | 2,669 | 139,831 | 1,417,428 |
| Transportation | 58 | 550,303 | - | 34,002 | 584,363 |
| Natural resources | 55,754 | - | 7,795 | 112,019 | 175,568 |
| Intergovernmental revenue sharing | 1,527,963 | 1,046,576 | - | - | 2,574,539 |
| Debt service: | | | | | |
| Principal | 57,283 | 17,607 | - | 213,282 | 288,172 |
| Interest and other fiscal charges | 89,831 | 878 | - | 195,318 | 286,027 |
| Capital outlay | 73,199 | 511,135 | 210 | 706,797 | 1,291,341 |
| Total Expenditures | <u>21,896,326</u> | <u>2,126,499</u> | <u>34,155</u> | <u>2,406,604</u> | <u>26,463,584</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(864,739)</u> | <u>518,804</u> | <u>503,546</u> | <u>(973,450)</u> | <u>(815,839)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 621,254 | 1,879 | 28 | 483,089 | 1,106,250 |
| Transfers out | (1,037,393) | (501,646) | (24,754) | (308,419) | (1,872,212) |
| Proceeds from sale of capital assets | - | 3,088 | - | - | 3,088 |
| Capital lease and installment purchase contracts | 2,501 | - | - | 185,335 | 187,836 |
| Proceeds from notes and loans | - | 32,628 | - | - | 32,628 |
| Bonds issued | 425,420 | - | - | - | 425,420 |
| Certificates of participation issued | 998,795 | - | - | - | 998,795 |
| Premium on debt issued | 77,709 | - | - | - | 77,709 |
| Total Other Financing Sources (Uses) | <u>1,088,286</u> | <u>(464,051)</u> | <u>(24,726)</u> | <u>360,005</u> | <u>959,514</u> |
| Net Change in Fund Balances | <u>223,547</u> | <u>54,753</u> | <u>478,820</u> | <u>(613,445)</u> | <u>143,675</u> |
| Fund Balances - Beginning | <u>(978,278)</u> | <u>633,532</u> | <u>2,196,133</u> | <u>1,793,658</u> | <u>3,645,045</u> |
| Fund Balances - Ending | <u>\$ (754,731)</u> | <u>\$ 688,285</u> | <u>\$ 2,674,953</u> | <u>\$ 1,180,213</u> | <u>\$ 3,788,720</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 143,675

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. Also, infrastructure was adjusted to reflect post-GASB 34 costs charged to projects which, at the time of GASB 34 implementation, had been considered to be complete. This is the amount by which capital outlays and infrastructure adjustments exceeded depreciation in the current period.

| | | |
|---------------------------|------------------|-----------|
| Capital outlay | 1,291,341 | |
| Infrastructure adjustment | 92,252 | |
| Depreciation expense | <u>(106,923)</u> | 1,276,670 |

The net expense of internal service funds is included with governmental activities in the Statement of Activities. (9,604)

Some revenues reported in the Statement of Activities are not currently available at year-end and are not reported as revenue in the governmental funds.

| | | |
|-------------------------------------------|--------------|---------|
| Sales taxes | 11,073 | |
| Income taxes | 4,569 | |
| Accrued interest on land sales' contracts | 86,223 | |
| Operating grants | 88,933 | |
| Right-of-way lease revenue | <u>2,200</u> | 192,998 |

Certain revenues that are reported as resources in the funds, but were earned in prior fiscal years, are not reported in the Statement of Activities.

| | | |
|--------------------|--------------|---------|
| Tobacco settlement | (5,034) | |
| Other revenue | <u>(310)</u> | (5,344) |

Trust land sales are financed with long-term mortgages. In the Statement of Activities, the gain on sale of trust land is reported, whereas in the governmental funds, the proceeds from the collection of mortgage payments are reported. In FY 2010, mortgage payments exceeded gains resulting from current year land sales. Additionally, an increase in the allowance for doubtful accounts does not require the use of current financial resources and, therefore, is not reported in the governmental funds.

| | | |
|-------------------------------------------------------|----------------|----------|
| Excess of mortgage receipts over gain on sale of land | (8,666) | |
| Increase in allowance for doubtful accounts | <u>(5,893)</u> | (14,559) |

The Notes to the Financial Statements are an integral part of this statement. (Continued)

STATE OF ARIZONA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|-----------------------------------|-----------------|----------|
| AHCCCS accrued programmatic costs | (33,594) | |
| Other expenses | <u>(15,433)</u> | (49,027) |

Certain expenditures that are reported in the governmental funds in the current year, but were incurred in prior fiscal years, are not reported in the Statement of Activities.

| | | |
|-----------------------------------|------------|-------|
| Compensated absences | 3,644 | |
| Pollution remediation obligations | 1,623 | |
| Interest on long-term obligations | <u>966</u> | 6,233 |

Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

| | | |
|--------------------------------------|-----------------|-------------|
| Bonds issued | (425,420) | |
| Certificates of participation issued | (998,795) | |
| Proceeds from notes and loans | (32,628) | |
| Premium on debt issued | <u>(77,709)</u> | (1,534,552) |

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

| | | |
|-------------------------------------|----------------|---------|
| Debt service principal | 288,172 | |
| Debt premium/discount amortization | 28,601 | |
| Amortization of bond issuance costs | (1,083) | |
| Amortization of deferred amount | <u>(3,974)</u> | 311,716 |

Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as an other financing source in the governmental funds, however, these amounts are reported as liabilities in the Statement of Net Assets.

Change in net assets of governmental activities

| | |
|-----------|-----------------------|
| | <u>(187,836)</u> |
| \$ | <u>130,370</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2010
 (Expressed in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | | |
|------------------------------------------------------------------------------|---------------------------------------------|------------------------------|------------------------------------------|---------|----------|
| | UNIVERSITIES | UNEMPLOYMENT COMPENSATION | INDUSTRIAL COMMISSION SPECIAL FUND | LOTTERY | OTHER |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 438,231 | \$ - | \$ 38,149 | \$ - | \$ 3,508 |
| Cash with U.S. Treasury | - | 16,690 | - | - | - |
| Cash and pooled investments with State Treasurer | 22,669 | - | 2,800 | 36,194 | 14,794 |
| Restricted cash and pooled investments with State Treasurer | - | - | - | - | 66,819 |
| Collateral investment pool | - | - | 44,180 | - | - |
| Short-term investments | 105,761 | - | - | - | 104 |
| Receivables, net of allowances: | | | | | |
| Taxes | - | 82,736 | 3,925 | - | - |
| Interest | 794 | - | 2,570 | - | 33 |
| Loans and notes | 3,373 | - | - | - | 4,490 |
| Other | 89,511 | 49,582 | 2,552 | 7,090 | 9,441 |
| Due from U.S. Government | 82,822 | 4,538 | - | - | 542 |
| Due from other Funds | 200,000 | - | - | - | 104 |
| Inventories, at cost | 16,508 | - | - | 3,927 | 6,015 |
| Other current assets | 3,371 | - | - | - | 891 |
| Total Current Assets | 963,040 | 153,546 | 94,176 | 47,211 | 106,741 |
| Noncurrent Assets: | | | | | |
| Restricted assets: | | | | | |
| Cash | 17,851 | - | - | - | - |
| Cash held by trustee | 348,951 | - | - | - | - |
| Investments | 10,248 | - | - | - | - |
| Investments held by trustee | 233,202 | - | - | - | - |
| Receivables, net of allowances: | | | | | |
| Loans and notes | 29,833 | - | - | - | 4,314 |
| Other | 7,473 | - | - | - | - |
| Investments | 182,490 | - | 304,500 | 1,528 | - |
| Endowment investments | 254,052 | - | - | - | - |
| Deferred outflow - interest rate swap | 11,126 | - | - | - | - |
| Other noncurrent assets | 11,849 | - | - | 8,204 | - |
| Capital assets: | | | | | |
| Land and other non-depreciable | 452,066 | - | 2,997 | 1,021 | 2,153 |
| Buildings, equipment, and other depreciable, net of accumulated depreciation | 3,034,753 | - | 15,639 | 2,458 | 19,054 |
| Total Noncurrent Assets | 4,593,894 | - | 323,136 | 13,211 | 25,521 |
| Total Assets | 5,556,934 | 153,546 | 417,312 | 60,422 | 132,262 |

The Notes to the Financial Statements are an integral part of this statement.

| | | GOVERNMENTAL | |
|------------|------------------|---------------|----------------|
| TOTAL | | ACTIVITIES - | |
| ENTERPRISE | | INTERNAL | |
| FUNDS | | SERVICE FUNDS | |
| | | | |
| \$ | 479,888 | \$ | - |
| | 16,690 | | - |
| | 76,457 | | 167,351 |
| | 66,819 | | - |
| | 44,180 | | - |
| | 105,865 | | - |
| | 86,661 | | - |
| | 3,397 | | - |
| | 7,863 | | - |
| | 158,176 | | 7,844 |
| | 87,902 | | 3,700 |
| | 200,104 | | 3,115 |
| | 26,450 | | 2,627 |
| | 4,262 | | 5,024 |
| | <u>1,364,714</u> | | <u>189,661</u> |
| | | | |
| | 17,851 | | - |
| | 348,951 | | - |
| | 10,248 | | - |
| | 233,202 | | - |
| | 34,147 | | - |
| | 7,473 | | - |
| | 488,518 | | - |
| | 254,052 | | - |
| | 11,126 | | - |
| | 20,053 | | - |
| | 458,237 | | 165 |
| | <u>3,071,904</u> | | <u>61,586</u> |
| | <u>4,955,762</u> | | <u>61,751</u> |
| | <u>6,320,476</u> | | <u>251,412</u> |

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2010
 (Expressed in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | | |
|-------------------------------------------------|---------------------------------------------|------------------------------|------------------------------------------|-----------|------------|
| | UNIVERSITIES | UNEMPLOYMENT COMPENSATION | INDUSTRIAL COMMISSION SPECIAL FUND | LOTTERY | OTHER |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and other current liabilities | \$ 122,532 | \$ - | \$ 6,573 | \$ 4,364 | \$ 2,334 |
| Payable for securities purchased | - | - | 4,567 | - | - |
| Accrued liabilities | 66,448 | 20,161 | - | - | 2,037 |
| Obligations under securities loan agreements | - | - | 44,180 | - | - |
| Due to U.S. Government | - | 7,650 | - | - | - |
| Due to local governments | - | - | - | - | 31 |
| Due to others | 19,568 | 57,357 | - | 26,648 | - |
| Due to other Funds | - | 223 | - | 17,071 | 1 |
| Unearned deferred revenue | 109,257 | - | - | - | 8,148 |
| Current portion of accrued insurance losses | - | - | 24,088 | - | - |
| Current portion of long-term debt | 95,544 | - | - | - | 96 |
| Current portion of other long-term liabilities | 14,179 | - | - | 329 | 964 |
| Total Current Liabilities | 427,528 | 85,391 | 79,408 | 48,412 | 13,611 |
| Noncurrent Liabilities: | | | | | |
| Unearned deferred revenue | 15,170 | - | - | - | - |
| Contracts payable | - | - | - | - | 12,450 |
| Accrued insurance losses | - | - | 391,196 | - | - |
| Funds held for others | 30,244 | - | - | - | - |
| Long-term debt | 2,639,227 | - | - | - | 133 |
| Derivative instrument - interest rate swap | 11,126 | - | - | - | - |
| Other long-term liabilities | 54,411 | - | - | - | 79 |
| Total Noncurrent Liabilities | 2,750,178 | - | 391,196 | - | 12,662 |
| Total Liabilities | 3,177,706 | 85,391 | 470,604 | 48,412 | 26,273 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 1,309,565 | - | 18,636 | 3,479 | 20,978 |
| Restricted for: | | | | | |
| Capital projects | 2,819 | - | - | - | - |
| Unemployment Compensation | - | 68,155 | - | - | - |
| Debt service | 34,393 | - | - | - | - |
| Universities fund: | | | | | |
| Expendable | 202,691 | - | - | - | - |
| Nonexpendable | 166,399 | - | - | - | - |
| Loans and other financial assistance: | | | | | |
| Expendable | - | - | - | - | 75,619 |
| Other | - | - | - | - | 26 |
| Unrestricted (deficit) | 663,361 | - | (71,928) | 8,531 | 9,366 |
| Total Net Assets | \$ 2,379,228 | \$ 68,155 | \$ (53,292) | \$ 12,010 | \$ 105,989 |

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

| TOTAL ENTERPRISE FUNDS | | GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS | |
|------------------------------|------------------|-----------------------------------------------------------|------------------|
| \$ | 135,803 | \$ | 85,445 |
| | 4,567 | | - |
| | 88,646 | | 1,408 |
| | 44,180 | | - |
| | 7,650 | | - |
| | 31 | | - |
| | 103,573 | | - |
| | 17,295 | | 1,377 |
| | 117,405 | | - |
| | 24,088 | | 53,764 |
| | 95,640 | | - |
| | 15,472 | | 10,062 |
| | <u>654,350</u> | | <u>152,056</u> |
| | 15,170 | | - |
| | 12,450 | | - |
| | 391,196 | | 319,953 |
| | 30,244 | | - |
| | 2,639,360 | | - |
| | 11,126 | | - |
| | 54,490 | | 102,375 |
| | <u>3,154,036</u> | | <u>422,328</u> |
| | <u>3,808,386</u> | | <u>574,384</u> |
| | 1,352,658 | | 61,751 |
| | 2,819 | | - |
| | 68,155 | | - |
| | 34,393 | | - |
| | 202,691 | | - |
| | 166,399 | | - |
| | 75,619 | | - |
| | 26 | | - |
| | 609,330 | | (384,723) |
| \$ | <u>2,512,090</u> | \$ | <u>(322,972)</u> |
| | (32,904) | | |
| \$ | <u>2,479,186</u> | | |

STATE OF ARIZONA
**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | | |
|---------------------------------------------------------------------------|---------------------------------------------|------------------------------|------------------------------------------|------------------|-------------------|
| | UNIVERSITIES | UNEMPLOYMENT COMPENSATION | INDUSTRIAL COMMISSION SPECIAL FUND | LOTTERY | OTHER |
| OPERATING REVENUES | | | | | |
| Sales and charges for services: | | | | | |
| Student tuition and fees, net of scholarship allowances of \$331,218 | \$ 1,022,319 | \$ - | \$ - | \$ - | \$ - |
| Auxiliary enterprises, net of scholarship allowances of \$19,355 | 343,238 | - | - | - | - |
| Educational department | 66,498 | - | - | - | - |
| Lottery | - | - | - | 551,492 | - |
| Other | - | - | - | - | 131,482 |
| Unemployment assessments | - | 357,047 | - | - | - |
| Workers' compensation assessments | - | - | 14,664 | - | - |
| Intergovernmental | 532,007 | 1,188,130 | - | - | 742 |
| Nongovernmental grants and contracts | 115,679 | - | - | - | - |
| Licenses, fees, and permits | - | - | - | - | 761 |
| Earnings on investments | - | - | - | - | 566 |
| Fines, forfeitures, and penalties | - | 1,818 | - | - | - |
| Settlement income | - | - | 2,916 | - | - |
| Other | 30,223 | 1,085 | - | 322 | 1,893 |
| Total Operating Revenues | <u>2,109,964</u> | <u>1,548,080</u> | <u>17,580</u> | <u>551,814</u> | <u>135,444</u> |
| OPERATING EXPENSES | | | | | |
| Cost of sales and benefits | 804,164 | 2,103,028 | 63,284 | 385,620 | 84,040 |
| Scholarships and fellowships | 195,840 | - | - | - | - |
| Personal services | 2,025,816 | - | - | 6,078 | 25,813 |
| Contractual services | - | - | - | 14,791 | 7,432 |
| Depreciation and amortization | 218,577 | - | 1,339 | 353 | 2,106 |
| Insurance | - | - | - | 57 | 448 |
| Other | - | - | - | 3,172 | 6,068 |
| Total Operating Expenses | <u>3,244,397</u> | <u>2,103,028</u> | <u>64,623</u> | <u>410,071</u> | <u>125,907</u> |
| Operating Income (Loss) | <u>(1,134,433)</u> | <u>(554,948)</u> | <u>(47,043)</u> | <u>141,743</u> | <u>9,537</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Share of State sales tax revenues | 52,318 | - | - | - | - |
| Intergovernmental | 245,075 | - | - | - | - |
| Gifts and donations | 159,377 | - | - | - | - |
| Gain (loss) on sale of capital assets | (817) | - | - | - | - |
| Investment income | 29,773 | 9,764 | 38,951 | 1,735 | 307 |
| Endowment earnings on investments | 9,297 | - | - | - | - |
| Other non-operating revenue | 17,050 | - | 1,788 | - | 528 |
| Distributions to local governments | - | - | - | (22,079) | - |
| Interest expense | (102,267) | - | - | - | (38) |
| Other non-operating expense | (10,002) | - | (3,127) | - | (84) |
| Total Non-Operating Revenues (Expenses) | <u>399,804</u> | <u>9,764</u> | <u>37,612</u> | <u>(20,344)</u> | <u>713</u> |
| Income (Loss) Before Contributions, Extraordinary Items, and Transfers | <u>(734,629)</u> | <u>(545,184)</u> | <u>(9,431)</u> | <u>121,399</u> | <u>10,250</u> |
| Capital grants and contributions | 12,563 | - | - | - | - |
| Contributions to permanent endowments | 3,020 | - | - | - | - |
| Extraordinary Items: | | | | | |
| Insurance recovery, net of impairment loss | 7,080 | - | - | - | - |
| Transfers in | 946,035 | - | 2,000 | - | 81 |
| Transfers out | - | (5,664) | - | (119,780) | (12,808) |
| Change in Net Assets | 234,069 | (550,848) | (7,431) | 1,619 | (2,477) |
| Total Net Assets - Beginning | <u>2,145,159</u> | <u>619,003</u> | <u>(45,861)</u> | <u>10,391</u> | <u>108,466</u> |
| Total Net Assets - Ending | <u>\$ 2,379,228</u> | <u>\$ 68,155</u> | <u>\$ (53,292)</u> | <u>\$ 12,010</u> | <u>\$ 105,989</u> |

Change in net assets of enterprise funds
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

| | | GOVERNMENTAL | |
|------------|--------------------|------------------|------------------|
| TOTAL | | ACTIVITIES - | |
| ENTERPRISE | | INTERNAL | |
| FUNDS | | SERVICE FUNDS | |
| | | | |
| \$ | 1,022,319 | \$ | - |
| | 343,238 | | - |
| | 66,498 | | - |
| | 551,492 | | - |
| | 131,482 | 904,701 | |
| | 357,047 | | - |
| | 14,664 | | - |
| | 1,720,879 | | - |
| | 115,679 | | - |
| | 761 | | - |
| | 566 | | - |
| | 1,818 | | - |
| | 2,916 | | - |
| | 33,523 | | 149 |
| | <u>4,362,882</u> | | <u>904,850</u> |
| | | | |
| | 3,440,136 | 720,885 | |
| | 195,840 | - | |
| | 2,057,707 | 29,722 | |
| | 22,223 | 31,408 | |
| | 222,375 | 13,586 | |
| | 505 | 55,388 | |
| | 9,240 | 9,702 | |
| | <u>5,948,026</u> | <u>860,691</u> | |
| | <u>(1,585,144)</u> | <u>44,159</u> | |
| | | | |
| | 52,318 | - | |
| | 245,075 | - | |
| | 159,377 | - | |
| | (817) | 189 | |
| | 80,530 | 27 | |
| | 9,297 | - | |
| | 19,366 | 98 | |
| | (22,079) | - | |
| | (102,305) | (1) | |
| | <u>(13,213)</u> | <u>(271)</u> | |
| | <u>427,549</u> | <u>42</u> | |
| | | | |
| | <u>(1,157,595)</u> | <u>44,201</u> | |
| | | | |
| | 12,563 | 3,386 | |
| | 3,020 | - | |
| | | | |
| | 7,080 | - | |
| | 948,116 | 6,038 | |
| | <u>(138,252)</u> | <u>(49,940)</u> | |
| | | | |
| | (325,068) | 3,685 | |
| | <u>2,837,158</u> | <u>(326,657)</u> | |
| \$ | <u>2,512,090</u> | \$ | <u>(322,972)</u> |
| | | | |
| \$ | (325,068) | | |
| | <u>13,289</u> | | |
| \$ | <u>(311,779)</u> | | |

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | | |
|----------------------------------------------------------------------------------------|---------------------------------------------|------------------------------|------------------------------------------|------------|------------|
| | UNIVERSITIES | UNEMPLOYMENT COMPENSATION | INDUSTRIAL COMMISSION SPECIAL FUND | LOTTERY | OTHER |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$ - | \$ - | \$ - | \$ 263,951 | \$ 131,869 |
| Receipts from assessments | - | 339,745 | 13,539 | - | - |
| Receipts from student tuition and fees | 989,823 | - | - | - | - |
| Receipts from sales and services of auxiliary enterprises | 342,775 | - | - | - | - |
| Receipts from sales and services of educational departments | 62,036 | - | - | - | - |
| Receipts from interfund services / premiums | - | - | - | - | - |
| Receipts from grants and contracts | 625,100 | 1,183,591 | - | - | 435 |
| Receipts from student loans collected | 4,938 | - | - | - | - |
| Receipts from repayment of loans to local governments | - | - | - | - | 15,270 |
| Receipts from settlement income | - | - | 2,915 | - | - |
| Payments to suppliers, prize winners, claimants, insurance companies, or beneficiaries | (798,531) | (2,123,766) | (23,292) | (134,621) | (100,370) |
| Payments to employees | (2,006,789) | - | - | (6,024) | (25,823) |
| Payments to retirees | - | - | - | - | - |
| Payments for scholarships and fellowships | (189,830) | - | - | - | - |
| Payments for student loans issued | (6,478) | - | - | - | - |
| Payments for loans to local governments | - | - | - | - | (23) |
| Other receipts (payments) | 23,111 | 10,413 | - | 10,691 | (1,025) |
| Net Cash Provided (Used) by Operating Activities | (953,845) | (590,017) | (6,838) | 133,997 | 20,333 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Custodial funds received | 358,276 | - | - | - | - |
| Office rental receipts | - | - | 450 | - | - |
| Share of State sales tax receipts | 52,284 | - | - | - | - |
| Grants and contributions received | 1,097,315 | - | - | - | - |
| Transfers from other Funds | 969,267 | - | 2,000 | - | 81 |
| Custodial funds disbursed | (373,066) | - | - | - | - |
| Grants and contributions disbursed | (683,362) | - | - | - | - |
| Distributions to local governments | - | - | - | (22,079) | - |
| Transfers to other Funds | - | (5,648) | - | (111,354) | (12,808) |
| Other receipts (payments) | 11,915 | - | (1,680) | - | (15) |
| Net Cash Provided (Used) by Non-capital Financing Activities | 1,432,629 | (5,648) | 770 | (133,433) | (12,742) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from sale of capital assets | 465 | - | - | - | - |
| Proceeds from capital debt, installment purchase contracts, and capital leases | 504,726 | - | - | - | - |
| Capital grants and contributions received | 9,060 | - | - | - | - |
| Transfers from other funds | 34,625 | - | - | - | - |
| Acquisition and construction of capital assets | (351,646) | - | (678) | (44) | (770) |
| Interest paid on capital debt, installment purchase contracts, and capital leases | (102,763) | - | - | - | (37) |
| Principal paid on capital debt, installment purchase contracts, and capital leases | (105,147) | - | - | - | (80) |
| Other receipts (payments) | - | - | (172) | - | (503) |
| Net Cash (Used) by Capital and Related Financing Activities | (10,680) | - | (850) | (44) | (1,390) |

The Notes to the Financial Statements are an integral part of this statement.

| | | GOVERNMENTAL | |
|-------------|---------|---------------|---|
| TOTAL | | ACTIVITIES - | |
| ENTERPRISE | | INTERNAL | |
| FUNDS | | SERVICE FUNDS | |
| \$ | 395,820 | \$ | - |
| | 353,284 | | - |
| | 989,823 | | - |
| | 342,775 | | - |
| | 62,036 | | - |
| | - | 911,024 | |
| 1,809,126 | | - | |
| 4,938 | | - | |
| 15,270 | | - | |
| 2,915 | | - | |
| (3,180,580) | | (785,723) | |
| (2,038,636) | | (29,948) | |
| - | | (10,942) | |
| (189,830) | | - | |
| (6,478) | | - | |
| (23) | | - | |
| 43,190 | | 220 | |
| (1,396,370) | | 84,631 | |

| | | | |
|-----------|--|----------|--|
| 358,276 | | - | |
| 450 | | - | |
| 52,284 | | - | |
| 1,097,315 | | - | |
| 971,348 | | 6,038 | |
| (373,066) | | - | |
| (683,362) | | - | |
| (22,079) | | - | |
| (129,810) | | (49,940) | |
| 10,220 | | (266) | |
| 1,281,576 | | (44,168) | |

| | | | |
|-----------|--|---------|--|
| 465 | | 1,096 | |
| 504,726 | | - | |
| 9,060 | | - | |
| 34,625 | | - | |
| (353,138) | | (3,475) | |
| (102,800) | | - | |
| (105,227) | | - | |
| (675) | | 92 | |
| (12,964) | | (2,287) | |

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | | |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------|------------------------------------------|-------------------|------------------|
| | UNIVERSITIES | UNEMPLOYMENT COMPENSATION | INDUSTRIAL COMMISSION SPECIAL FUND | LOTTERY | OTHER |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sales and maturities of investments | 278,670 | - | 187,421 | - | - |
| Interest and dividends from investments | 19,307 | 9,765 | 13,842 | 136 | 488 |
| Change in cash collateral received from securities lending transactions | - | - | (556) | - | (2,691) |
| Purchase of investments | (326,475) | - | (204,071) | - | (2) |
| Other (payments) | - | - | (1,247) | - | (33) |
| Net Cash Provided (Used) by Investing Activities | (28,498) | 9,765 | (4,611) | 136 | (2,238) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 439,606 | (585,900) | (11,529) | 656 | 3,963 |
| Cash and Cash Equivalents - Beginning | 388,096 | 602,590 | 96,658 | 35,538 | 81,158 |
| Cash and Cash Equivalents - Ending | <u>\$ 827,702</u> | <u>\$ 16,690</u> | <u>\$ 85,129</u> | <u>\$ 36,194</u> | <u>\$ 85,121</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ (1,134,433) | \$ (554,948) | \$ (47,043) | \$ 141,743 | \$ 9,537 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 218,577 | - | 1,339 | 353 | 2,106 |
| Net changes in assets and liabilities: | | | | | |
| (Increase) decrease in receivables, net of allowances | (24,671) | (49,441) | (689) | (1,236) | 15,599 |
| (Increase) in due from U.S. Government | - | (4,538) | - | - | (306) |
| (Increase) decrease in due from other Funds | - | - | - | - | (11) |
| (Increase) decrease in inventories, at cost | 2,691 | - | - | (1,560) | 95 |
| (Increase) decrease in other assets | (180) | - | - | 126 | (538) |
| Increase (decrease) in accounts payable | (7,710) | - | 2,759 | (147) | (3,454) |
| Increase (decrease) in accrued liabilities | 1,871 | (303) | - | (5,282) | (1,685) |
| Increase in due to U.S. Government | - | 7,649 | - | - | - |
| Increase in due to others | - | 11,564 | - | - | - |
| Increase in due to other Funds | - | - | - | - | - |
| (Decrease) in deferred revenue | (9,990) | - | - | - | (1,022) |
| Increase in accrued insurance losses | - | - | 36,764 | - | - |
| Increase (decrease) in other liabilities | - | - | 32 | - | 12 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (953,845)</u> | <u>\$ (590,017)</u> | <u>\$ (6,838)</u> | <u>\$ 133,997</u> | <u>\$ 20,333</u> |
| SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Assets acquired under capital leases | \$ 10,000 | \$ - | \$ - | \$ - | \$ - |
| Capital lease obligations assumed by other Funds | - | - | - | - | - |
| Contribution of capital assets from other Funds | - | - | - | - | - |
| Gifts and conveyances of capital assets | 1,165 | - | - | - | - |
| (Loss) on disposal of capital assets, net | (2,276) | - | - | - | - |
| Change in fair value of investments | 8,466 | - | 24,655 | - | - |
| Amortization of bond discount and issuance costs | (2,346) | - | - | - | - |
| Amortization of bond premium | 1,728 | - | - | - | - |
| Amortization of deferred rent | 4,900 | - | - | - | - |
| Amortization of deferred costs of refundings | 1,497 | - | - | - | - |
| Total Noncash Investing, Capital and Non-capital Financing Activities | <u>\$ 23,134</u> | <u>\$ -</u> | <u>\$ 24,655</u> | <u>\$ -</u> | <u>\$ -</u> |

The Notes to the Financial Statements are an integral part of this statement.

| TOTAL ENTERPRISE FUNDS | GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS |
|------------------------------|-----------------------------------------------------------|
| 466,091 | - |
| 43,538 | 26 |
| (3,247) | - |
| (530,548) | - |
| (1,280) | - |
| (25,446) | 26 |
| (153,204) | 38,202 |
| 1,204,040 | 129,149 |
| \$ 1,050,836 | \$ 167,351 |

\$ (1,585,144) \$ 44,159

| | |
|----------------|-----------|
| 222,375 | 13,586 |
| (60,438) | 7,050 |
| (4,844) | (1,500) |
| (11) | 841 |
| 1,226 | 122 |
| (592) | 2,319 |
| (8,552) | 5,249 |
| (5,399) | (32) |
| 7,649 | - |
| 11,564 | - |
| - | 214 |
| (11,012) | - |
| 36,764 | 13,904 |
| 44 | (1,281) |
| \$ (1,396,370) | \$ 84,631 |

| | |
|-----------|----------|
| \$ 10,000 | \$ - |
| - | 3,082 |
| - | 305 |
| 1,165 | - |
| (2,276) | - |
| 33,121 | - |
| (2,346) | - |
| 1,728 | - |
| 4,900 | - |
| 1,497 | - |
| \$ 47,789 | \$ 3,387 |

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS | INVESTMENT TRUST FUNDS | AGENCY FUNDS |
|------------------------------------------------------------|------------------------------------------------------|---------------------------|------------------|
| ASSETS | | | |
| Cash | \$ 74,066 | \$ - | \$ 36,578 |
| Cash and pooled investments with State Treasurer | - | - | 192,731 |
| Short-term investments | - | - | 3,552 |
| Receivables, net of allowances: | | | |
| Accrued interest and dividends | 71,907 | 10,854 | 1 |
| Securities sold | 261,720 | - | - |
| Forward contracts receivable | 711,480 | - | - |
| Contributions | 61,811 | - | - |
| Court fees | 872 | - | - |
| Due from other Funds | 7,543 | - | - |
| Miscellaneous receivables | 15,971 | - | - |
| Total receivables | <u>1,131,304</u> | <u>10,854</u> | <u>1</u> |
| Due from others | - | - | 82,351 |
| Investments, at fair value: | | | |
| Temporary investments | 1,320,643 | - | - |
| U.S. Government securities | 3,445,520 | 1,569,759 | - |
| Corporate bonds | 3,206,843 | 13,057 | - |
| Corporate notes | - | 717,222 | - |
| Corporate stocks | 17,682,177 | - | - |
| Real estate | 1,307,212 | - | - |
| Private equity | 948,789 | - | - |
| Opportunistic investments | 882,306 | - | - |
| Collateral investment pool | 3,005,171 | 117,442 | - |
| Repurchase agreements | - | 1,817,796 | - |
| Money market mutual funds | - | 1,025 | - |
| Other investments | 665,489 | 8,725 | - |
| Total investments | <u>32,464,150</u> | <u>4,245,026</u> | <u>-</u> |
| Custodial securities in safekeeping | - | - | 3,628,892 |
| Other assets | - | - | 5,125 |
| Property and equipment, net of accumulated depreciation | <u>4,767</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>33,674,287</u> | <u>4,255,880</u> | <u>3,949,230</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 41,054 | - | - |
| Payable for securities purchased | 553,901 | - | - |
| Management fee payable | - | 214 | - |
| Obligation under securities loan agreements | 3,005,171 | 117,442 | - |
| Forward contracts payable | 695,488 | - | - |
| Due to local governments | - | 306 | 129,466 |
| Due to others | - | - | 3,819,764 |
| Due to other Funds | 7,543 | - | - |
| Total Liabilities | <u>4,303,157</u> | <u>117,962</u> | <u>3,949,230</u> |
| NET ASSETS | | | |
| Held in trust for: | | | |
| Pension benefits | 28,125,156 | - | - |
| Other post-employment benefits | 1,245,974 | - | - |
| Pool participants | - | 4,137,918 | - |
| Total Net Assets | <u>\$ 29,371,130</u> | <u>\$ 4,137,918</u> | <u>\$ -</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | PENSION AND OTHER EMPLOYEE BENEFIT | | INVESTMENT | |
|-------------------------------------------------------|---------------------------------------|-------------------|-------------|------------------|
| | TRUST FUNDS | | TRUST FUNDS | |
| ADDITIONS: | | | | |
| Member contributions | \$ | 1,006,081 | \$ | - |
| Employer contributions | | 1,207,510 | | - |
| Member purchase of service credit | | 83,251 | | - |
| Court fees | | 9,538 | | - |
| Investment income: | | | | |
| Net increase in fair value | | | | |
| of investments | | 3,110,723 | | 8,841 |
| Interest income | | 258,565 | | 14,256 |
| Dividends | | 338,532 | | - |
| Other investment income | | 158,770 | | - |
| Securities lending income | | 18,741 | | 193 |
| Total investment income | | <u>3,885,331</u> | | <u>23,290</u> |
| Less investment expenses: | | | | |
| Investment activity expenses | | 137,990 | | 2,508 |
| Securities lending expenses | | 2,197 | | 114 |
| Net investment income | | <u>3,745,144</u> | | <u>20,668</u> |
| Capital share and individual account transactions: | | | | |
| Shares sold | | - | | 5,400,670 |
| Reinvested interest income | | - | | 19,679 |
| Shares redeemed | | - | | (5,542,087) |
| Net capital share and individual account transactions | | <u>-</u> | | <u>(121,738)</u> |
| Other additions | | <u>4,294</u> | | <u>-</u> |
| Total Additions | | <u>6,055,818</u> | | <u>(101,070)</u> |
| DEDUCTIONS: | | | | |
| Retirement, disability, and survivor benefits | | 2,785,129 | | - |
| Refunds to withdrawing members, including interest | | 184,020 | | - |
| Administrative expense | | 38,415 | | - |
| Dividends to investors | | - | | 19,122 |
| Other deductions | | 12,628 | | - |
| Total Deductions | | <u>3,020,192</u> | | <u>19,122</u> |
| Change in net assets held in trust for: | | | | |
| Pension benefits | | 2,909,653 | | - |
| Other post-employment benefits | | 125,973 | | - |
| Pool participants | | - | | (120,192) |
| Net Assets - Beginning | | <u>26,335,504</u> | | <u>4,258,110</u> |
| Net Assets - Ending | \$ | <u>29,371,130</u> | \$ | <u>4,137,918</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS - PROPRIETARY FUNDS
 JUNE 30, 2010
 (Expressed in Thousands)

| | WATER INFRASTRUCTURE FINANCE AUTHORITY | UNIVERSITY MEDICAL CENTER | ARIZONA POWER AUTHORITY | TOTAL |
|--------------------------------------------------|-------------------------------------------------|---------------------------------|-------------------------------|------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ - | \$ 1,214 | \$ - | \$ 1,214 |
| Cash and pooled investments with State Treasurer | 66,324 | - | 5,503 | 71,827 |
| Cash held by trustee | 4,703 | - | - | 4,703 |
| Collateral investment pool | 3,636 | - | - | 3,636 |
| Short-term investments | - | 124,297 | - | 124,297 |
| Restricted investments held by trustee | - | 11,773 | 4,046 | 15,819 |
| Receivables, net of allowances: | | | | |
| Interest | 12,762 | 17 | - | 12,779 |
| Patient accounts receivable | - | 77,503 | - | 77,503 |
| Other | 6,195 | 47,886 | 3,388 | 57,469 |
| Inventories, at cost | - | 12,300 | - | 12,300 |
| Other current assets | - | 3,917 | 1,707 | 5,624 |
| Total Current Assets | 93,620 | 278,907 | 14,644 | 387,171 |
| Noncurrent Assets: | | | | |
| Restricted investments held by trustee | - | 43,234 | 6,551 | 49,785 |
| Loans and notes receivable, net of allowances | 1,158,137 | - | - | 1,158,137 |
| Investments | 105,257 | - | - | 105,257 |
| Other noncurrent assets | 4,996 | 14,802 | 29,200 | 48,998 |
| Capital assets: | | | | |
| Land and other non-depreciable | - | 27,485 | - | 27,485 |
| Buildings, equipment, and other depreciable | 101 | 548,929 | 1,322 | 550,352 |
| Less: accumulated depreciation | (101) | (263,295) | (1,182) | (264,578) |
| Total Noncurrent Assets | 1,268,390 | 371,155 | 35,891 | 1,675,436 |
| Total Assets | 1,362,010 | 650,062 | 50,535 | 2,062,607 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and other current liabilities | - | 55,353 | 3,644 | 58,997 |
| Accrued liabilities | 10,235 | 37,757 | 542 | 48,534 |
| Obligations under securities loan agreements | 3,636 | - | - | 3,636 |
| Current portion of accrued insurance losses | - | 5,568 | - | 5,568 |
| Current portion of long-term debt | 36,995 | 4,295 | 4,220 | 45,510 |
| Current portion of other long-term liabilities | 85 | 9,036 | 61 | 9,182 |
| Total Current Liabilities | 50,951 | 112,009 | 8,467 | 171,427 |
| Noncurrent Liabilities: | | | | |
| Unearned deferred revenue | 2,412 | - | - | 2,412 |
| Accrued insurance losses | - | 8,845 | - | 8,845 |
| Long-term debt | 872,607 | 275,617 | 37,900 | 1,186,124 |
| Other long-term liabilities | - | 8,887 | - | 8,887 |
| Total Noncurrent Liabilities | 875,019 | 293,349 | 37,900 | 1,206,268 |
| Total Liabilities | 925,970 | 405,358 | 46,367 | 1,377,695 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | - | 47,317 | 140 | 47,457 |
| Restricted for: | | | | |
| Loans and other financial assistance | 379,482 | - | - | 379,482 |
| Other | - | 22,127 | - | 22,127 |
| Unrestricted | 56,558 | 175,260 | 4,028 | 235,846 |
| Total Net Assets | \$ 436,040 | \$ 244,704 | \$ 4,168 | \$ 684,912 |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**
COMPONENT UNITS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | WATER INFRASTRUCTURE FINANCE AUTHORITY | UNIVERSITY MEDICAL CENTER | ARIZONA POWER AUTHORITY | TOTAL |
|------------------------------------------|-------------------------------------------------|---------------------------------|-------------------------------|-------------------|
| OPERATING REVENUES | | | | |
| Sales and charges for services | \$ - | \$ 567,639 | \$ 30,927 | \$ 598,566 |
| Intergovernmental | 72,203 | - | - | 72,203 |
| Licenses, fees, and permits | 13,248 | - | - | 13,248 |
| Earnings on investments | 22,889 | - | - | 22,889 |
| Total Operating Revenues | <u>108,340</u> | <u>567,639</u> | <u>30,927</u> | <u>706,906</u> |
| OPERATING EXPENSES | | | | |
| Cost of sales and benefits | - | 124,812 | 28,621 | 153,433 |
| Interest on program loans | 37,769 | - | - | 37,769 |
| Personal services | 1,348 | 252,252 | - | 253,600 |
| Contractual services | 1,240 | 102,276 | - | 103,516 |
| Aid to local governments | 31,477 | - | - | 31,477 |
| Depreciation and amortization | - | 26,487 | 31 | 26,518 |
| Other | 7,696 | 32,163 | 2,190 | 42,049 |
| Total Operating Expenses | <u>79,530</u> | <u>537,990</u> | <u>30,842</u> | <u>648,362</u> |
| Operating Income | <u>28,810</u> | <u>29,649</u> | <u>85</u> | <u>58,544</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 6,066 | 3,908 | 26 | 10,000 |
| Interest expense | - | (11,783) | (8) | (11,791) |
| Other non-operating expense | - | (1,209) | - | (1,209) |
| Total Non-Operating Revenues (Expenses) | <u>6,066</u> | <u>(9,084)</u> | <u>18</u> | <u>(3,000)</u> |
| Income Before Contributions | <u>34,876</u> | <u>20,565</u> | <u>103</u> | <u>55,544</u> |
| Capital grants and contributions | <u>-</u> | <u>1,475</u> | <u>-</u> | <u>1,475</u> |
| Change in Net Assets | 34,876 | 22,040 | 103 | 57,019 |
| Total Net Assets - Beginning | <u>401,164</u> | <u>222,664</u> | <u>4,065</u> | <u>627,893</u> |
| Total Net Assets - Ending | <u>\$ 436,040</u> | <u>\$ 244,704</u> | <u>\$ 4,168</u> | <u>\$ 684,912</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2010
(Expressed in Thousands)

| | ARIZONA STATE UNIVERSITY FOUNDATION | UNIVERSITY OF ARIZONA FOUNDATION | ARIZONA CAPITAL FACILITIES FINANCE CORPORATION | OTHER COMPONENT UNITS | TOTAL |
|-------------------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------------------------------------|-----------------------------|--------------|
| ASSETS | | | | | |
| Cash and cash equivalent investments | \$ 9,619 | \$ 37,173 | \$ 2,054 | \$ 20,222 | \$ 69,068 |
| Receivables: | | | | | |
| Pledges receivable | 92,581 | 14,068 | - | 44,443 | 151,092 |
| Other receivables | 3,168 | - | 933 | 17,259 | 21,360 |
| Total receivables | 95,749 | 14,068 | 933 | 61,702 | 172,452 |
| Investments: | | | | | |
| Investments in securities | 495,102 | 346,558 | 25,423 | 114,439 | 981,522 |
| Investments held in trust for Universities | - | 30,525 | - | 4,809 | 35,334 |
| Other investments | 39,146 | 6,606 | 620 | 2,887 | 49,259 |
| Total investments | 534,248 | 383,689 | 26,043 | 122,135 | 1,066,115 |
| Net direct financing leases | 26,975 | - | 46,592 | 47,775 | 121,342 |
| Property and equipment, net of accumulated depreciation | 18,756 | 13,113 | 233,141 | 152,232 | 417,242 |
| Licenses | - | - | - | 4,530 | 4,530 |
| Other assets | 14,799 | 2,960 | 5,768 | 17,798 | 41,325 |
| Total Assets | 700,146 | 451,003 | 314,531 | 426,394 | 1,892,074 |
| LIABILITIES | | | | | |
| Liability under Universities' endowment trust agreements | 80,344 | 16,134 | - | 5,423 | 101,901 |
| Bonds payable | 79,554 | - | 346,488 | 227,177 | 653,219 |
| Unearned revenue | 3,961 | - | - | 26,928 | 30,889 |
| Other liabilities | 33,589 | 4,500 | 14,658 | 22,240 | 74,987 |
| Total Liabilities | 197,448 | 20,634 | 361,146 | 281,768 | 860,996 |
| NET ASSETS | | | | | |
| Permanently restricted | 345,464 | 311,411 | - | 42,296 | 699,171 |
| Temporarily restricted | 170,164 | 106,147 | - | 60,103 | 336,414 |
| Unrestricted (deficit) | (12,930) | 12,811 | (46,615) | 42,227 | (4,507) |
| Total Net Assets | \$ 502,698 | \$ 430,369 | \$ (46,615) | \$ 144,626 | \$ 1,031,078 |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
 UNIVERSITIES - AFFILIATED COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Thousands)

| | ARIZONA STATE UNIVERSITY FOUNDATION | UNIVERSITY OF ARIZONA FOUNDATION | ARIZONA CAPITAL FACILITIES FINANCE CORPORATION | OTHER COMPONENT UNITS | TOTAL |
|---------------------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------------------------------------|-----------------------------|--------------|
| REVENUES | | | | | |
| Contributions | \$ 42,034 | \$ 50,893 | \$ - | \$ 14,924 | \$ 107,851 |
| Rental revenue | 1,151 | - | 16,349 | 31,098 | 48,598 |
| Sales and services | 22,855 | - | 8,466 | 8,164 | 39,485 |
| Net investment income | 34,231 | 33,650 | 166 | 10,513 | 78,560 |
| Licensing revenue | - | - | - | 2,434 | 2,434 |
| Other revenues | 4,120 | 9,899 | 4,771 | 14,955 | 33,745 |
| Total Revenues | 104,391 | 94,442 | 29,752 | 82,088 | 310,673 |
| EXPENSES | | | | | |
| Program services: | | | | | |
| Payments to Universities | 41,971 | 41,672 | 511 | 8,032 | 92,186 |
| Leasing related expenses | - | - | - | 8,651 | 8,651 |
| Payments on behalf of Universities | - | 13,194 | - | 5,246 | 18,440 |
| Other program services | 5,770 | - | - | 5,012 | 10,782 |
| Personal services, operations, and administrative expenses | 25,394 | 4,117 | 10,413 | 27,267 | 67,191 |
| Fundraising expenses | - | 5,593 | - | 2,657 | 8,250 |
| Interest | 2,199 | - | 14,071 | 11,320 | 27,590 |
| Depreciation and amortization | 2,415 | - | 11,285 | 7,237 | 20,937 |
| Other expenses | 7,173 | - | 457 | 1,584 | 9,214 |
| Total Expenses | 84,922 | 64,576 | 36,737 | 77,006 | 263,241 |
| Increase (decrease) in net assets | 19,469 | 29,866 | (6,985) | 5,082 | 47,432 |
| Net Assets - Beginning | 483,229 | 400,503 | (39,630) | 139,544 | 983,646 |
| Net Assets - Ending | \$ 502,698 | \$ 430,369 | \$ (46,615) | \$ 144,626 | \$ 1,031,078 |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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|-----------------------------------------------------------|
| NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES |
|-----------------------------------------------------------|

The accounting policies of the State of Arizona (the State) conform to U.S. Generally Accepted Accounting Principles (U.S. GAAP) applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The State is a general purpose government. The accompanying financial statements present the activities of the State (the primary government) and its component units. Component Units' footnote disclosures are presented in Note 16 - Discretely Presented Component Unit Disclosures.

Component Units

Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units of the State, except for component units affiliated with the State's Universities, are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB.

GASB Statement No. 14, The Financial Reporting Entity has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

In addition, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units (GASB 39) requires that legally separate, tax-exempt entities that meet all of the following criteria should be discretely presented as component units: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The State reports the following blended component units:

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer, pension plan that benefits employees of the State and participating political subdivisions and school districts. The ASRS is administered in accordance with provisions of Arizona Revised Statutes (ARS) Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is governed by a nine-member board that is appointed by the Governor and approved by the Senate to serve three-year terms.

The Public Safety Personnel Retirement System (PSPRS) is an agent, multi-employer public employee retirement system that benefits public safety employees of certain State and local governments. The PSPRS is jointly administered by the Board of Trustees (formerly Fund Manager) and 225 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The Board of Trustees is a seven-member board appointed by the Governor and approved by the Senate to serve a fixed five-year term. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multi-employer public employee retirement plan that benefits elected officials and judges of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS administers the EORP plan according to the provisions of ARS Title 38, Chapter 5, Article 3.

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The Corrections Officer Retirement Plan (CORP) is an agent, multi-employer public employee retirement plan that benefits prison and jail employees of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS and 24 local boards administer the CORP plan according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained from the applicable plan's office or website at:

Arizona State Retirement System
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778
www.azasrs.gov

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, or the Corrections Officer Retirement Plan
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016
(602) 255-5575
www.psprs.com

The State reports the following discretely presented component units:

Governmental Funds:

Greater Arizona Development Authority (GADA) - The purpose of the GADA is to provide cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA was created by an Act of the Arizona Legislature in 1997 and is a body, corporate and politic, of the State. The GADA is governed by a nine member Board of Directors consisting of four State of Arizona agency heads and five members, one of which shall be a representative of a tribal nation in Arizona, appointed by the Governor of the State. Members appointed by the Governor serve staggered five year terms. The GADA fund was originally capitalized with General Fund appropriations and requests for additional capitalization of the GADA must be approved by the Arizona Legislature. Complete financial statements may be obtained from the GADA's administrative office at 1700 West Washington Street, Executive Tower, Suite 600, Phoenix AZ 85007, (602) 771-1100.

Rio Nuevo Multipurpose Facilities District (Rio Nuevo) - The Rio Nuevo was established in 1999 with the passage of Proposition 400 by the voters in the Cities of Tucson and South Tucson. Under applicable ARS, the District can utilize tax incremental financing to help develop multipurpose facilities in the downtown Tucson area. The Rio Nuevo is governed by a nine member board of directors, with five members appointed by the Governor, two members appointed by the President of the Senate, and the remaining two members appointed by the Speaker of the House of Representatives. Complete financial statements may be obtained from Beach Fleischman & Co. PC, c/o Jim Lovelace, 1985 E. River Rd. #201, Tucson, AZ 85718-7176, (520) 321-4600.

Proprietary Funds:

University Medical Center (UMC) - The UMC is the primary teaching hospital for the Colleges of Medicine, Nursing, Pharmacy, and Public Health, and the School of Health-Related Professions of the University of Arizona (U of A). The UMC was created in 1984 when the State Legislature passed a bill that allowed the Arizona Board of Regents (ABOR) to convey the UMC to a private, not-for-profit, tax-exempt corporation. Although an autonomous entity was created, the teaching missions and research alliances with the U of A and the State remained. The ABOR confirms all members of the UMC's Board of Directors, and must approve all amendments to the UMC's articles of incorporation and bylaws. Complete financial statements may be obtained from the UMC's administrative offices or website at 1501 N. Campbell Ave., Tucson, Arizona 85724, (520) 694-6501, **www.azumc.com**.

Arizona Power Authority (APA) - The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five members appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of

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two years. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the APA's administrative offices at 1810 West Adams Street, Phoenix, Arizona 85007, (602) 368-4265.

Water Infrastructure Finance Authority (WIFA) - The WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors. The ten Governor appointed directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the WIFA's administrative offices at 1100 West Washington Street, Suite 290, Phoenix, Arizona 85007, (602) 364-1324.

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc., and Campus Research Corporation (CRC). The Collegiate Golf Foundation and University Public Schools, Inc. are included because each is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship or close affiliation to the State. The CRC is included because the U of A approves the budget; thus fiscal dependency exists.

The following discretely presented component units affiliated with the Universities are reported as major component units of the State:

Arizona State University Foundation (ASU Foundation) - The ASU Foundation's resources are disbursed at the discretion of the Foundation's independent board of directors, in accordance with donor directions and Foundation policy.

Arizona Capital Facilities Finance Corporation (ACFFC) - The ACFFC provides facilities for either use by students of ASU or ASU itself.

University of Arizona Foundation (U of A Foundation) - The U of A Foundation supports the U of A through various fund-raising activities and contributes funds to the U of A in support of various programs.

The following discretely presented component units affiliated with the Universities are reported as non-major component units of the State:

Arizona State University Alumni Association, Sun Angel Foundation, and Sun Angel Endowment - These three foundations receive funds primarily through donations, dues, and/or affinity partners and contribute funds to ASU for support of various programs.

Arizona State University Research Park, Inc. (ASU Research Park) - ASU Research Park manages a research park to promote and support research activities in coordination with ASU.

Mesa Student Housing, LLC and Downtown Phoenix Student Housing, LLC - These foundations provide facilities for use by students of ASU.

Collegiate Golf Foundation - This foundation operates an ASU-owned golf course.

University Public Schools, Inc. (UPSI) - The UPSI operates two public schools designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

University of Arizona Alumni Association (U of A Alumni Association) - The U of A Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing, and encouraging them to advance the U of A's missions - teaching, research, and public service.

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University of Arizona Law College Association (Law Association) - The Law Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

University of Arizona Campus Research Corporation (CRC) - The CRC was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park (Park) and related properties. The CRC currently leases from the U of A the remaining 67.00% of building space of the Park not leased to the Arizona Research Park Authority. The CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The U of A is responsible for payment of operational expenses associated with the space occupied by the U of A departments, offices, and programs.

Northern Arizona University Foundation, Inc. (NAU Foundation) - The NAU Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of NAU for advancement of its mission.

Northern Arizona Capital Facilities Finance Corporation (NACFFC) - The NACFFC was established for the purpose of acquiring, developing, constructing, maintaining, and operating student housing and other capital facilities and equipment for the use and benefit of NAU's students.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation, may be obtained at the following addresses:

ASU Foundation, ACFFC, ASU Alumni Association, Sun Angel Foundation, Sun Angel Endowment, ASU Research Park, Collegiate Golf Foundation, Mesa Student Housing, LLC, Downtown Phoenix Student Housing, LLC, and the UPSI - Arizona State University, Financial Services, P.O. Box 875812, Tempe, Arizona 85287-5812 or (480) 965-3601

U of A Alumni Association - Alumni Association, The University of Arizona, P.O. Box 210109, Tucson, Arizona 85721-0109

Law Association - Law College Association, The University of Arizona, P.O. Box 210176, Tucson, Arizona 85721-0176

CRC - The University of Arizona Science and Technology Park, 9030 South Rita Road, Suite 302, Tucson, Arizona 85747

NAU Foundation and NACFFC - Northern Arizona University, Comptroller's Office, P.O. Box 4069, Flagstaff, Arizona 86011

The financial statements of the U of A Foundation are not publicly available. For information regarding the U of A Foundation's financial statements, contact the U of A Comptroller at the following address: University of Arizona, Financial Services, P.O. Box 3310, Tucson, Arizona 85722-3310.

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable, and that do not meet the criteria established by GASB 39. The State's accountability for these organizations does not extend beyond making the appointments, nor are the economic resources accessible to the State. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) - ARS §36-482 established the Authority to issue tax-exempt bonds and loans for the purpose of improving health care for Arizona residents by providing less expensive financing for health care facilities. Proceeds from bond issues are loaned to various qualifying nonprofit health care organizations. The health care organizations reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed for cause or at will by the Governor with the consent of the Senate. The State cannot abrogate the rights of the Authority until all bonds, together with the interest thereon, are fully paid and discharged and all agreements are fully performed.

Arizona International Development Authority (the Authority) - ARS §41-4502 established the Authority to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-

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member board of directors appointed by the Governor and approved by the Senate for five-year terms, and can be removed only for cause.

Arizona Sports and Tourism Authority (the Authority) - ARS §5-802 established the Authority to construct, finance, furnish, maintain, improve, operate, market, and promote the use of a multipurpose facility and do all things necessary or convenient to accomplish those purposes. The Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a nine-member board of directors of which five are appointed by the Governor and approved by the Senate and two members each by the President of the Senate and the Speaker of the House. The directors serve terms of five years, may be re-appointed for one full subsequent term, and can be removed only for cause.

Arizona Housing Finance Authority (the Authority) - ARS §41-3902 established the Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority is required to notify and obtain written consent from the governing bodies of any city, town, county, tribal government, or existing corporation for any multifamily residential rental projects planned for their jurisdiction. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

State Compensation Fund - ARS §23-981 established the State Compensation Fund to provide insurance to employers for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits. The State Compensation Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually, the Governor appoints a chairman from among the board members.

Joint Ventures

As described in Note 10, the U of A participates in a joint venture. In accordance with U.S. GAAP, the financial activities of this joint venture are not included in the State's financial statements.

B. BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or voter initiative.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

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The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. The State does not allocate indirect expenses to programs or functions.

Program revenues include:

- ¿ charges to customers or applicants for goods, services, privileges provided, and fines or forfeitures
- ¿ operating grants and contributions
- ¿ capital grants and contributions, including special assessments

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Interfund balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

Fund financial statements provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation (ADOT). The ADOT builds and maintains the State's highway system and the Grand Canyon Airport.

The Land Endowments Fund holds lands granted to the State by the Federal government for the benefit of public schools and other public institutions. Principal is maintained intact and investment earnings and lease revenues are distributed to beneficiaries in accordance with State statute.

The State reports the following major enterprise funds:

The Universities account for transactions of the State's three universities, which comprise the State's university system.

Unemployment Compensation pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

The Industrial Commission Special Fund (Special Fund) accounts for the payment of workers' compensation claims that are not covered by the State Compensation Fund, the Risk Management Division of the Department of Administration, private insurance carriers, and self-insured employers.

The Lottery accounts for the activities of the Arizona State Lottery.

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Additionally, the State reports the following fund types:

Internal Service Funds - account for insurance coverage, employee benefits, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis. It is the policy of the State to classify immaterial proprietary fund activities in governmental funds. This policy helps to reduce the number of funds reported in the financial statements to the minimum amount needed. These funds allocate a fixed rate payroll processing charge among all agencies, allocate postage and mailing costs among all agencies, or arrange for the sale of the State's office equipment and motorized vehicles at public auctions.

Pension and Other Employee Benefit Trust Funds - account for the activities of the ASRS, the PSPRS, the EORP, and the CORP, for which the State acts as a trustee. These retirement and other post-employment benefit plans accumulate resources to pay pension, health insurance premium subsidies, and long-term disability benefits of State employees and employees of other governmental entities participating in the plans.

Investment Trust Funds - account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as trustee for the original deposits made into the investment pools.

Agency Funds - account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governments and organizations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. However, the agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 31 days after year-end, except for the Transportation and Aviation Planning, Highway Maintenance and Safety Major Fund, as well as certain non-major governmental funds administered by the ADOT, which consider revenues to be available if collected within 60 days after year-end. Those revenues susceptible to accrual are federal reimbursements, highway user revenue tax, and state sales tax. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the State funds certain programs through a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The State's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis.

The State's business-type activities and enterprise funds follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as 'Cash and Cash Equivalents' is equal to the total of the amounts on the Statement of Net Assets 'Cash_', 'Cash with U.S. Treasury_', 'Cash and pooled investments with State Treasurer_', 'Cash held by

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trustee_ and `Collateral investment pool_. For purposes of the Statement of Cash Flows, the State considers only those highly liquid debt instruments with an original maturity of ninety days or less to be cash equivalents.

- ¿ Cash (not with State Treasurer) _ includes un-deposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.
- ¿ Cash with U.S. Treasury _ consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.
- ¿ Cash and pooled investments with State Treasurer _ consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer's pooled investments are described in Note 2.
- ¿ Cash held by trustee _ consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.
- ¿ Collateral investment pool _ consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

2. Investment Valuation

Investments maintained by the State Treasurer are reported at fair value using JP Morgan prices, as determined by independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Equities are priced utilizing the primary exchange closing price. In the absence of a closing price, the mid/bid price will be utilized. If no pricing source is available, the cost price or last available price from any source will be utilized. All bonds are priced using an evaluated market price, the closing trade/bid price or the most recent mid/bid price, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). If no pricing source is available, the cost price or the last available price from any source will be utilized.

The ASRS's publicly traded investments are reported at fair value determined by the custodial agents. The agents's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. ASRS's derivative instruments, which consist of futures, forward contracts, options, swaps, rights, and warrants, are measured at fair value. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments. Private real estate, private equity, and opportunistic partnership investments are valued based on the partnerships's March 2010 financial statements adjusted for cash flows through June 30, 2010. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, the ASRS, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. Security transactions and any resulting gains or losses are accounted for on a trade date basis. Net investment income (loss) includes net increase (decrease) in the fair value of investments, interest income, dividend income, real estate, private equity, and opportunistic investments income, and total investment expense. This includes investment management, real estate, private equity, and opportunistic investment expenses and all other significant investment related costs.

For the PSPRS, the EORP, and the CORP, investments are reported at fair value. Short term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed income securities are valued using the last reported sales price or the estimated fair market value as determined by the fixed income broker/dealers. Directed real estate and venture capital investments are reported at fair value using appraisals to estimate the fair market value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

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E. TAXES RECEIVABLE

Taxes receivable include amounts owed by taxpayers for prior periods including assessments for underpayments, penalties, and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred revenues.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2010. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2010, but not collected until the following month.

F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the proprietary funds. Inventories are stated at cost using the first-in, first-out method, weighted average, or lower of cost or market. In the governmental funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

G. PROPERTY TAX CALENDAR

Real property taxes are levied on or before the third Monday in August and become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien attaches on the first day of January preceding assessment and levy.

H. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the estimated fair market value at the date received. Interest incurred during the construction of capital assets is only capitalized in the proprietary funds.

Most capital assets are depreciated over their estimated useful lives. However, the State reports most infrastructure assets using the modified approach, as provided by GASB Statement No. 34. Under this approach, rather than being depreciated, costs to maintain and preserve these assets are expensed. This approach is discussed further in the Required Supplementary Information portion of this report. The State has adopted a general policy for capitalization thresholds, depreciation, and estimated useful lives of capital assets. In addition, the State has approved alternative policies for some State agencies.

Depreciable capital assets are depreciated on a straight-line basis. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets being depreciated in the government-wide financial statements and the proprietary funds are as follows:

| Asset Category | General State Policy | | Other Authorized Agency Policies | |
|-----------------------------------|--------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Capitalization Threshold | Estimated Useful Life (years) | Capitalization Threshold | Estimated Useful Life (years) |
| Land | All capitalized | Not depreciated | All capitalized | Not depreciated |
| Buildings | All capitalized | 25-40 | \$0-\$100,000 | 10-50 |
| Improvements other than buildings | \$5,000 | 15 | \$5,000-\$100,000 | 20-50 |
| Equipment | \$5,000 | 3-15 | \$5,000 | 3-25 |
| Infrastructure | All capitalized | Not depreciated | \$0-\$100,000 | 20-100 |
| Software | \$1,000,000 | 5-10 | \$1,000,000 | 5-10 |
| Other intangibles | \$100,000 | Varied | \$100,000 | Varied |

Other intangibles include licenses and permits, patents, copyrights and trademarks, rights-of-way and easements, and natural resource extraction rights. These are amortized over the shorter of the legal or estimated useful life if the useful life is definite or limited. If the life is indefinite or unlimited, they are not amortized. In addition, rights-of-way and easements are amortized only if the value is separable from the underlying land and natural resource extraction rights are not amortized unless the value of the underlying asset is identifiable.

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The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value at acquisition has not been reliably estimated. Accordingly, this land is not reported in the accompanying financial statements.

The State has interest in and maintains significant special collections, works of art, and historical treasures. Except for ASU, all special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair market value at the date of acquisition or donation. Those special collections, works of art, and historical treasures which are held for educational, research, or public exhibition purposes are not capitalized, as they are not subject to disposal for financial gain or encumbrance. Such items are inventoried for property control purposes. ASU capitalizes all works of art and historical treasures with a unit cost of \$5,000 or more.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 7, respectively.

I. INVESTMENT EARNINGS

Investment earnings are composed of interest, dividends, and net changes in fair value of applicable investments.

J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Fund Net Assets. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

K. DEFERRED REVENUE

Deferred revenue consists of payments to the State for goods and services not yet rendered, or taxes, grants, and other non-exchange transactions for which related resources are not available to pay current liabilities. In the government-wide and proprietary fund financial statements, revenue is deferred when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements, revenue is deferred when that revenue is unearned or unavailable.

L. COMPENSATED ABSENCES

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by the GASB. In the governmental fund financial statements, liabilities for compensated absences are not accrued, because they are not considered due and payable.

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for uncovered State employees and University employees, an employee generally forfeits accumulated annual leave in excess of 240 hours as of the last day of the last pay period for a calendar year, unless the Director of the Department of Administration authorizes an exception. Uncovered State employees shall forfeit accumulated annual leave in excess of 320 hours as of the end of each calendar year, unless an exception is authorized. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State service is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. An employee may accumulate up to 240 hours of compensatory leave (480 if working in a public safety activity or an emergency response activity). An employee who separates from State service is paid for all unused compensatory leave at either the employee's average base salary during the last three years of employment or final base salary, whichever is higher.

For sick leave policy, see Note 11.C.

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M. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and COPs are deferred and amortized over the life of the debt instrument using the straight-line method. Bonds and COPs are reported net of the applicable premium or discount. Bond issuance costs and deferred gains or losses on debt refundings are charged to expense in the period incurred unless those costs are deemed to be material to the State's financial statements by management, in which case, they are deferred and amortized using either the straight-line method or the effective interest method.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, COPs, other issuances, and premiums and discounts on debt as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 7.

N. NEW ACCOUNTING PRONOUNCEMENTS AND REPORTING ENTITY CHANGE

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for periods beginning after June 15, 2009. The State has implemented the requirements of this standard.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by the State. Governments enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions; or to lower the cost of borrowing. The requirements of this Statement are effective for periods beginning after June 15, 2009. The State has implemented the requirements of this standard.

GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for periods beginning after June 15, 2009. The State has implemented the requirements of this standard, but they had no effect on the financial statements.

In prior years, the Rio Nuevo was reported in the financial statements of the City of Tucson as a discretely component unit and separately issued financial statements were not prepared. In November 2009, the State Legislature passed Senate Bill 1003 which changed the configuration of the Rio Nuevo's Board. The nine member Board is appointed as discussed earlier in Note 1(A). In March 2010, the newly reconstituted Board met for the first time. As a result of this change, it was determined that ultimate financial accountability for the Rio Nuevo is now with the State, rather than with the City of Tucson. Therefore, the Rio Nuevo will be reported in the financial statements of the State of Arizona beginning in fiscal year 2010.

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|-----------------------------------------|
| NOTE 2. DEPOSITS AND INVESTMENTS |
|-----------------------------------------|

A. DEPOSITS AND INVESTMENT POLICIES

The State's deposits and investments are primarily under the control of the State Treasurer, the Retirement Systems, the Universities, and the Industrial Commission (the Commission). These entities maintain the majority of the deposits and investments of the primary government. The investment policies of these organizations are defined according to State statutes, or a governing board, or both and are described below.

ARS §35-312, §35-313, and §35-314 authorize the State Treasurer to invest operating, trust, and permanent endowment fund monies. Monies deposited with the State Treasurer by State agencies are invested by the State Treasurer in a pooled fund. Any

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interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State statutes and the State Treasurer's investment policies designed to administer these statutes restrict investments to obligations of the U.S. Government and its agencies, obligations or other evidence of indebtedness of the State and certain local government subdivisions, negotiable certificates of deposit, bonds, debentures and notes issued by U.S. corporations, commercial paper issued by entities organized and doing business in the United States, bankers acceptances, collateralized repurchase agreements, money market mutual funds, domestic equities, and other securities. The State Treasurer is not allowed to invest in foreign investments.

The State Treasurer maintains external investment pools [the Local Government Investment Pool (LGIP), Local Government Investment Pool - FF&C, Local Government Investment Pool - Medium Term, and Local Government Investment Pool - Medium Term FF&C]. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §35-311. Please note that in prior years, the Local Government Investment Pool - FF&C was the Local Government Investment Pool - Government and the Local Government Investment Pool - Medium Term was the Local Government Investment Pool - Long Term. In addition, the Local Government Investment Pool - Medium Term FF&C was created during fiscal year 2010 as an additional investment option.

In September of 2008, the State agencies' and an external investment pool's share of the Lehman Brothers bond value of \$39.427 million was transferred to the Lehman Brothers Pool due to Lehman Brothers filing for Chapter 11 bankruptcy protection on September 15, 2008. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities. As of June 30, 2010, the fair value of the pool was \$7.693 million. The likelihood that these participant monies will be recovered is not known.

The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

The Central Arizona Water Conservation District is an individual investment account.

State statutes authorize the retirement systems to make investments in accordance with the 'Prudent Person' rule. As such, investment management shall discharge the duties of their position with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a 'prudent person' acting in enterprise of a like character and with like aims as that of the system, subject to certain statutory limitations and restrictions.

The ASRS invests in short-term securities, obligations of the U.S. government or agencies of the U.S. government, corporate bonds, common and preferred stocks (domestic and foreign), mortgages, derivatives, real estate, private equity, and opportunistic investments. Per ARS §38-719, no more than 80.00% of the ASRS' total assets may be invested at any given time in corporate stocks or equity equivalents, based on cost value of the stocks or equity equivalents irrespective of capital appreciation. No more than 5.00% of the voting stock of any one corporation may be owned. No more than 30.00% of the ASRS' assets may be invested in foreign securities, and those investments shall be made only by investment managers with demonstrated expertise in such investments. No more than 10.00% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the U.S. is a member nation, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank. No more than 1.00% of the ASRS' assets may be invested in economic development projects authorized as eligible for such investment by the Arizona Department of Commerce. ARS §35-392 requires divestment from investments in companies that do business in Sudan, Iran, or other State Sponsors of Terrorism countries under certain conditions. Subject to the limitations noted above, the ASRS Board may authorize the ASRS Director to make investments that are designated by the ASRS Board and that do not exceed 50.00% of the assets of the investment account measured at cost. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per ARS §38-848, §38-803A(4), and §38-883A(4), the PSPRS, the EORP, and the CORP, respectively, may not invest at any given time more than 80.00% of the combined assets of the system or other plans that the Board of Trustees manages in corporate stocks, based on cost value of such stocks irrespective of capital appreciation. In addition, the PSPRS, the EORP, and the CORP

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investments shall be restricted to stocks and exchange traded funds that, except for bank and insurance stocks and membership interests in limited liability companies, are either: 1) listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended, 2) designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended, 3) listed or approved on issuance for listing on an exchange registered under the laws of this State or any other State, 4) listed or approved on issuance for listing on an exchange registered of a foreign country with which the U.S. is maintaining diplomatic relations at the time of purchase, except that no more than 20.00% of the combined assets of the system or other plans that the board manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation, or 5) an exchanged traded fund that is recommended by the chief investment officer of the system, that is registered under the Investment Company Act of 1940, and that is both traded on a public exchange and based on a publicly recognized index. Not more than 5.00% of the combined assets of the system or other plans that the board manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the U.S. government or corporate stock issued by a bank or insurance company. Not more than 5.00% of the voting stock of any one corporation shall be owned by the system and other plans that the board administers, except that this limitation does not apply to membership interests in limited liability companies.

The ABOR governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

Per ARS §23-1065, the Commission's investment committee is responsible for prescribing investment policies and supervising the investment activities of the Commission. The Commission requires that their investment policy be responsive to the unpredictable nature of the incidence and severity of claims, the long periods over which losses may be paid, and the effect on both claims and losses of increases in treatment and rehabilitation costs. The investment committee may invest in any legal investment authorized under ARS §38-719.

B. CUSTODIAL CREDIT RISK - DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. The State Treasurer's, the Retirement Systems', and the Universities' deposits of State treasury monies with financial institutions are required by State statutes to be entirely covered by the Federal Depository Insurance Corporation (FDIC) or, alternatively, collateralized for amounts in excess of the amount insured. Surety collateral for the Universities and the Retirement Systems must be equal to at least 100.00% of the bank balance required to be collateralized (102.00% for the State Treasurer). Beyond this requirement, these organizations do not have a formal policy specifically addressing custodial credit risk on deposits, except for the State Treasurer. The State statutes require surety collateral for the State Treasurer to consist of either: 1) U.S. Government obligations, State obligations, or obligations of counties or municipalities within the State, 2) State Treasurer's warrant notes, or 3) the safekeeping receipt of the financial institution accepting the deposit. As of June 30, 2010, some State agencies have uncollateralized and uninsured deposits in the amount of \$467 thousand and \$34.933 million in deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the State's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The State does not have a formal policy in regards to custodial credit risk for investments. As of June 30, 2010, the State had \$97.863 million in securities that were uninsured, not registered in the State's name, and held by either the counterparty or counterparty's trust department or agent, but not in the State's name.

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C. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State manages interest rate risk using the segmented time distribution, weighted average maturity, and effective duration methods.

The State Treasurer manages interest rate risk by incorporating ARS limitations into their investment policy and setting forth various thresholds or parameters in accordance with each investment pool's portfolio structure. The State Treasurer's policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored monthly by measuring the weighted average maturity and/or duration.

The ASU policy for operating funds limits the maximum maturity of any fixed rate issue to five years. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

The Commission approves and contracts with different investment managers of fixed income equities in order to manage the exposure to interest rate risk with each different fund manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool.

The following table presents the State Treasurer's, the ASU's, and the Commission's weighted average maturity in years by investment type (expressed in thousands):

| Investment Type | Fair Value | Weighted Average Maturity (in years) |
|------------------------------------------------------------------|---------------------|-------------------------------------------------|
| Asset backed securities | \$ 99,714 | 1.11 |
| Commercial mortgage backed securities | 10,020 | 28.09 |
| Commercial paper | 1,001,686 | .11 |
| Corporate notes & bonds | 1,400,022 | 3.86 |
| FDIC certificates of deposit | 8,725 | .67 |
| Government bonds | 10,324 | 12.22 |
| Government mortgage backed securities | 34,473 | 17.00 |
| Index linked government bonds | 11,034 | 6.23 |
| Money market mutual funds | 238,146 | .10 |
| Non-government backed collateralized mortgage obligations (CMOs) | 9,884 | 19.22 |
| Repurchase agreements | 2,384,724 | 0.02 |
| U.S. agency securities | 1,393,661 | 1.49 |
| U.S. agency securities - full faith | 26,196 | 2.70 |
| U.S. agency mortgage backed securities | 457,846 | 13.99 |
| U.S. agency mortgage backed securities - full faith | 287,557 | 19.10 |
| U.S. Treasury securities | 2,281,341 | .88 |
| Other | 21,506 | 4.73 |
| Total Debt Securities | <u>\$ 9,676,859</u> | 2.39 |

The ASRS does not have a formal policy in regards to interest rate risk, but does manage interest rate risk using effective duration. Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions. The following table presents ASRS' effective duration by investment type (expressed in thousands):

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| Investment Type | Fair Value | Effective Duration (in years) |
|---------------------------------------|---------------------|------------------------------------------|
| Asset backed securities | \$ 318,016 | 2.40 |
| CMOs of government agencies | 8,596 | (1.00) |
| Commercial mortgage backed securities | 312,398 | 3.10 |
| Corporate bonds | 1,424,474 | 4.90 |
| Government bonds | 1,088,288 | 4.60 |
| Government mortgage backed securities | 1,397,129 | 1.70 |
| Government related bonds | 884,248 | 3.40 |
| Non-government backed CMOs | 91,938 | 4.60 |
| Total Debt Securities | <u>\$ 5,525,087</u> | <u>3.53</u> |

The PSPRS, the EORP, and the CORP do not have a formal policy in regards to interest rate risk. The NAU's and the U of A's investment policies for their operating funds limit the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The NAU's and the U of A's endowment funds have no such limitation. The following table presents the interest rate risk for the PSPRS, the EORP, the CORP, the NAU, the U of A, and other State agencies utilizing the segmented time distribution (expressed in thousands):

| Investment Type | Fair Value | Investment Maturities (in years) | | | | | |
|----------------------------------------|---------------------|-----------------------------------------|-------------------|------------------|------------------|------------------|---------------------|
| | | Less than 1 | 1-5 | 6-10 | 11-15 | 16-20 | More than 20 |
| Corporate notes & bonds | \$ 1,051,580 | \$ 11,126 | \$ 27,864 | \$ 29,873 | \$ 11,590 | \$ 6,183 | \$ 964,944 |
| Collateralized bond obligations (CBOs) | 27,994 | - | - | 12,321 | - | - | 15,673 |
| Collateralized debt obligations (CDOs) | 15,398 | - | - | - | - | - | 15,398 |
| Money market mutual funds | 542,883 | 542,883 | - | - | - | - | - |
| U.S. agency securities | 282,234 | 73,694 | 140,670 | 25,587 | 16,662 | 12,699 | 12,922 |
| U.S. Treasury securities | 25,956 | 20,048 | 5,589 | 319 | - | - | - |
| Other investments | 28,672 | 71 | 5,636 | 22,266 | 173 | 47 | 479 |
| Total Debt Securities | <u>\$ 1,974,717</u> | <u>\$ 647,822</u> | <u>\$ 179,759</u> | <u>\$ 90,366</u> | <u>\$ 28,425</u> | <u>\$ 18,929</u> | <u>\$ 1,009,416</u> |

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes (expressed in thousands):

| Interest Rate Terms | Corporate Notes & Securities | U.S. Agency Securities | Total |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------|---------------------|
| The London Interbank Offered Rate (LIBOR) plus/minus a fixed basis point amount which resets from monthly to quarterly. | \$ 371,888 | \$ 134,211 | \$ 506,099 |
| Corporate asset backed securities with coupon tied to LIBOR plus/minus a fixed basis point amount which resets monthly. | 73,741 | - | 73,741 |
| Mortgage backed securities (including full faith) - when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminishes fair value. | - | 780,499 | 780,499 |
| U.S. Agency Securities - where on certain specified dates, the issuer can call the security. If the security is not called, the interest rate is increased by a specified amount. Prevailing interest rates may go up faster than the increases in the coupon interest rate. | - | 214,554 | 214,554 |
| Other securities with high sensitivity to rate changes. | - | 131,699 | 131,699 |
| Total | <u>\$ 445,629</u> | <u>\$ 1,260,963</u> | <u>\$ 1,706,592</u> |

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D. CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

State statutes and the State Treasurer's investment policy require that commercial paper must be rated by at least two nationally recognized statistical rating organizations (NRSROs) and that the ratings assigned by at least two of the NRSROs be of the two highest rating categories for short-term obligations. Corporate bonds, debentures, and notes must carry a minimum Baa or better rating from Moody's Investor Service (Moody's) or a BBB or better rating from Standard and Poor's Rating Service (S & P). For investments not rated by Moody's, Fitch rating information is used. There is no statute or investment policy on ratings or credit quality for obligations issued by the U.S. Government or its agencies or repurchase agreements. The underlying securities for repurchase agreements are assumed to be implicitly guaranteed by the U.S. Government, as some are collateralized with U.S. Agency securities.

The ASRS has not adopted a formal policy with respect to credit risk.

The PSPRS's, the EORP's, and the CORP's investment policies are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. The fixed income portfolio must have a minimum weighted average quality rating of A3 by Moody's and A- by S & P. Fixed income investments must have a minimum quality rating of Baa3 by Moody's and BBB- by S & P at the time of purchase. Commercial paper must have a minimum quality rating of P-1 by Moody's and A1 by S & P at the time of purchase. The portion of the bond portfolio in investments rated Baa3 through Baa1 by Moody's and BBB- through BBB+ by S & P must be 20.00% or less of the fair value of the fixed income portfolio.

The Universities's policies mirror that of the ABOR, which requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances, and State of Arizona bonds carry a minimum BBB or better rating by S & P or Baa or better rating by Moody's; and that commercial paper be rated by at least two NRSROs and must be of the two highest rating categories for short-term obligations of at least two of the NRSROs. Also, ASU's capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture.

The Commission's investment policy requires that purchases of fixed income securities will consist of U.S. Treasury or Federal agency obligations or those bonds rated not less than Ba by Moody's or BB by S & P, except for fixed income managers who have been hired to manage funds in a specialized manner (high yield).

The following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2010. The ratings are presented using S & P's rating scale (expressed in thousands):

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| Investment Type | Fair Value | AAA | AA | A | BBB | BB | B | CCC Thru D | A1 | Not Rated |
|----------------------------------------|---------------|--------------|--------------|--------------|------------|------------|------------|------------|--------------|------------|
| Asset backed securities | \$ 418,434 | \$ 170,060 | \$ 37,942 | \$ 23,268 | \$ 65,006 | \$ 16,604 | \$ 21,572 | \$ 83,176 | \$ - | \$ 806 |
| Bond mutual funds | 22,098 | - | - | - | - | - | - | - | - | 22,098 |
| CBOs | 27,994 | - | - | 23,262 | - | - | - | - | - | 4,732 |
| CDOs | 15,398 | - | - | 15,398 | - | - | - | - | - | - |
| CMOs of government sponsored entities | 8,596 | 8,596 | - | - | - | - | - | - | - | - |
| Commercial mortgage backed securities | 322,418 | 251,329 | 9,774 | 41,320 | 10,158 | 3,020 | - | 2,543 | - | 4,274 |
| Commercial paper | 1,001,686 | - | - | - | - | - | - | - | 1,001,686 | - |
| Corporate notes & bonds | 3,514,503 | 135,559 | 1,275,672 | 1,079,882 | 488,021 | 120,967 | 265,462 | 110,017 | - | 38,923 |
| Government bonds | 1,097,697 | 1,097,697 | - | - | - | - | - | - | - | - |
| Government mortgage backed securities | 1,397,129 | 1,397,129 | - | - | - | - | - | - | - | - |
| Government related bonds | 884,248 | 785,355 | 50,734 | 24,415 | 23,582 | 162 | - | - | - | - |
| Indexed linked government bonds | 10,763 | 10,763 | - | - | - | - | - | - | - | - |
| Money market mutual funds | 781,029 | 710,345 | - | - | - | - | - | - | - | 70,684 |
| Non-government backed CMOs | 101,822 | 16,587 | 1,405 | 10,836 | 10,517 | 2,389 | 9,302 | 48,495 | - | 2,291 |
| Repurchase agreements | 310,240 | 310,240 | - | - | - | - | - | - | - | - |
| U.S. agency mortgage backed securities | 457,846 | 457,846 | - | - | - | - | - | - | - | - |
| U.S. agency securities | 1,607,298 | 1,337,824 | 788 | 5,399 | - | - | - | - | 263,279 | 8 |
| Other investments | 91,658 | 3,130 | 11 | - | - | - | - | - | - | 88,517 |
| Total | \$ 12,070,857 | \$ 6,692,460 | \$ 1,376,326 | \$ 1,223,780 | \$ 597,284 | \$ 143,142 | \$ 296,336 | \$ 244,231 | \$ 1,264,965 | \$ 232,333 |

E. CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS's, the Universities's, and the Commission's investment policies provide that no more than 5.00% of their investments may be invested in securities issued by any one institution, agency, or corporation, other than securities issued as direct obligations of or are fully guaranteed by the U.S. Government or mortgage backed securities and agency debentures issued by federal agencies. The State Treasurer also exempts from this policy the purchase of Treasurer Warrant Notes for the State Agencies Diversified pool, provided the maximum amount of the notes purchased shall not exceed 50.00% of the market value of the pool. The PSPRS's, the EORP's, and the CORP's investment policies state that no more than 5.00% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency, or corporation other than bonds used as direct obligations of and fully guaranteed by the U.S. Government. At June 30, 2010, more than 5.00% of the Governmental Activities' total investments were held in the following single issues (expressed in thousands):

| Issuer Description | Fair Value | Percentage |
|----------------------------------------|------------|------------|
| Federal Home Loan Mortgage Corporation | \$ 564,873 | 9.20% |
| Federal National Mortgage Association | 808,783 | 13.17% |

At June 30, 2010, more than 5.00% of the Business-type Activities' total investments were held in the following single issues (expressed in thousands):

| Issuer Description | Fair Value | Percentage |
|----------------------------------------|------------|------------|
| Federal Home Loan Bank | \$ 116,574 | 9.11% |
| Federal Home Loan Mortgage Corporation | 147,704 | 11.55% |
| Federal National Mortgage Association | 152,103 | 11.89% |

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F. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS is the primary State agency that has foreign currency risk. Per ARS §38-719, no more than 30.00% of the ASRS' assets may be invested in foreign equity securities and those investments shall be made only by investment managers with demonstrated expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. The following table summarizes the State's foreign currency risk as of June 30, 2010 (expressed in thousands):

| Foreign Currency Risk by Investment Type at Fair Value | | | | | |
|---------------------------------------------------------------|-------------------|---------------------|-----------------|--------------------------|--------------|
| Currency | Short Term | Fixed Income | Equities | Other Investments | Total |
| Australian Dollar | \$ 192 | \$ 413 | \$ 73,904 | \$ 49 | \$ 74,558 |
| Bermudian Dollar | - | 2,232 | - | - | 2,232 |
| Brazilian Real | 6 | 167 | 773 | - | 946 |
| British Pound Sterling | (42) | 8,030 | 380,065 | 22,968 | 411,021 |
| Canadian Dollar | 696 | 27,986 | 20,465 | 133 | 49,280 |
| Czech Koruna | 63 | - | 4,719 | - | 4,782 |
| Danish Krone | 6 | - | 20,165 | 20 | 20,191 |
| Euro Currency | 8,464 | 9,265 | 662,396 | 54,027 | 734,152 |
| Hong Kong Dollar | 185 | - | 93,838 | 39 | 94,062 |
| Israeli Shekel | - | - | 503 | 76 | 579 |
| Japanese Yen | 4,934 | - | 406,279 | 922 | 412,135 |
| Mexican Peso | - | - | 606 | - | 606 |
| New Zealand Dollar | 5 | - | 5,037 | 7 | 5,049 |
| Norwegian Krone | 41 | - | 2,527 | 40 | 2,608 |
| Singapore Dollar | 14 | - | 24,292 | 25 | 24,331 |
| South African Rand | - | - | 13,272 | - | 13,272 |
| South Korean Won | - | - | 21,091 | - | 21,091 |
| Swedish Krona | 6 | 372 | 31,603 | 27 | 32,008 |
| Swiss Franc | 4 | - | 212,888 | 37 | 212,929 |
| Thailand Baht | - | - | 1,017 | - | 1,017 |
| Various mutual funds | - | 1,272 | 43,769 | 642 | 45,683 |
| Total | \$ 14,574 | \$ 49,737 | \$ 2,019,209 | \$ 79,012 | \$ 2,162,532 |

G. UNEMPLOYMENT COMPENSATION

Pursuant to Section 904 of the Social Security Act (42 U.S.C. §1104), unemployment insurance contributions from Arizona employers are deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major enterprise fund, has been established for this purpose.

H. SECURITIES LENDING

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

1. Industrial Commission

State statutes and the Commission's policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, Northern Trust, manages the securities lending operations through a

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contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2010. Northern Trust's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102.00% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105.00% of the market value of securities loaned plus accrued interest. The market value at June 30, 2010 for loaned securities collateralized by cash and non-cash collateral was \$43.005 million and \$0, respectively. As part of the securities lending transactions, Northern Trust received cash and non-cash collateral valued at \$44.180 million and \$0, respectively at June 30, 2010. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans is 90 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 24 days as of June 30, 2010. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. Cash open loans can be terminated on demand by either the lender or the borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2010, the Commission had \$44.180 million outstanding as payable for securities lending. A maximum restriction on the amount of securities that can be lent out at any one time of \$43.976 million was set by the Commission on September 29, 2008.

2. Arizona State Retirement System

The ASRS is permitted by ARS §38-715(D) (3), to enter into securities lending transactions. The ASRS's custodial bank enters into agreements with counterparts to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S. equities, and international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. The ASRS currently receives as collateral at least 102.00% of the market value of the loaned securities and maintains collateral at no less than 100.00% for the duration of the loan. At year-end, the ASRS had no counter party risk to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. Cash collateral received may be reinvested. The maturities of the investments are closely matched to those of the security loans to avoid interest rate exposure. The ASRS receives a spread for its lending activities. Investments made with cash collateral received are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2010, the fair value of securities on loan was \$3.9 billion; \$2.3 billion in cash collateralized loans and \$1.6 billion in non-cash collateralized loans. Cash of \$2.4 billion received as collateral for securities loaned was reinvested and had a net asset value of \$2.4 billion, as of June 30, 2010. The securities lending payable at June 30, 2010 was \$2.4 billion. The ASRS is indemnified against gross negligence and borrower default by the lending agents.

3. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan

The PSPRS, the EORP, and the CORP are permitted by ARS Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, the EORP, and the CORP require collateral of at least 102.00% of the fair value of the loaned U.S. Government or corporate security. The PSPRS, the EORP, and the CORP have no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the retirement system or plan. Securities on loan are carried at fair value. As of June 30, 2010, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$481.292 million, \$29.368 million, and \$117.191 million, respectively. At June 30, 2010, the fair value of the associated collateral for the PSPRS, the EORP, and the CORP were \$494.161 million, \$30.153 million, and \$120.325 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent.

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I. DERIVATIVES

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- ¿ It has one or more underlyings and one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.
- ¿ It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- ¿ Its terms require or permit net settlement, it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

The ASRS is the primary State agency that has investment derivatives. The ASRS's derivatives are considered 'Investment Derivative Instruments' as defined in GASB 53. All funds are considered fiduciary funds.

The ASRS's derivative instruments, which consist of futures contracts, forward contracts, options, swaps, rights, and warrants, are measured at fair value and reported on the Statement of Fiduciary Net Assets. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments on the Statement of Changes in Fiduciary Net Assets.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2010 financial statements are as follows (expressed in thousands):

| Investment Derivatives by Type | | | | | |
|---------------------------------------|------------------------------------------------------|------------------|------------------------------------------|------------------|-----------------------|
| Investment Derivatives | Changes in Fair Value | | Fair Value at June 30, 2010 | | |
| | Classification | Amount | Classification | Amount | Notional |
| Commodity futures | Net increase (decrease) in fair value of investments | \$ 7,357 | Forward contracts payable | \$ (579) | \$ 14,551 |
| Credit default swaps written | Net increase (decrease) in fair value of investments | 30 | Temporary investments, other investments | 58 | 13,900 |
| Fixed income futures | Net increase (decrease) in fair value of investments | 72,987 | Forward contracts receivable | 15,289 | (22,064,950) |
| Fixed income options written | Net increase (decrease) in fair value of investments | 513 | Temporary investments, other investments | (749) | (90,100) |
| Foreign currency futures | Net increase (decrease) in fair value of investments | 35,085 | Forward contracts receivable | 16,088 | 81,103 |
| Foreign currency options written | Net increase (decrease) in fair value of investments | 40 | Not applicable | - | - |
| Futures options written | Net increase (decrease) in fair value of investments | (137) | Temporary investments | (877) | (570) |
| Foreign currency forwards | Net increase (decrease) in fair value of investments | 27,547 | Forward contracts receivable | 6,207 | 683,735 |
| Index futures | Net increase (decrease) in fair value of investments | 26,949 | Forward contracts payable | (24,588) | 7,405 |
| Fixed interest rate swaps | Net increase (decrease) in fair value of investments | (207) | Other investments | 167 | 34,000 |
| Rights | Net increase (decrease) in fair value of investments | 1,111 | Corporate stocks | 74 | 1,334 |
| Warrants | Net increase (decrease) in fair value of investments | (208) | Corporate stocks | 675 | 479 |
| Total | | <u>\$171,067</u> | | <u>\$ 11,765</u> | <u>\$(21,319,113)</u> |

The fair value of derivative instruments reported by the ASRS is based on quoted market prices off national exchanges. The fair value of foreign currency forward contracts is based on mathematical models and is valued using a pricing service, which uses published Reuter's foreign currency rates as the primary source for the calculation.

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The credit quality ratings of counterparties as described by NRSROs and the counterparties related risk concentration, as of June 30, 2010, are as follows (expressed in thousands):

| Counterparty Risk and Ratings | | | | | |
|--------------------------------------|------------------|----------------------|----------------|--------------|----------------|
| Counterparty Name | Total | Risk | S&P | Fitch | Moody's |
| | | Concentration | | | |
| Bank of America | \$ 955 | 8.12% | A+ | A+ | Aa3 |
| Barclays | 1,433 | 12.18% | AA- | AA- | Aa3 |
| BNP Paribas SA | 577 | 4.90% | AA | AA- | Aa2 |
| Citibank N.A. | 459 | 3.90% | A+ | A+ | A1 |
| Credit Suisse London | 580 | 4.93% | A+ | AA- | Aa1 |
| Deutsche Bank London | 987 | 8.39% | A+ | AA- | Aa3 |
| Goldman Sachs International | 7 | 0.06% | A | A+ | A1 |
| HSBC Bank USA | 36 | 0.31% | AA | AA | Aa3 |
| JP Morgan Securities, Inc. | 167 | 1.42% | A+ | AA- | Aa3 |
| JP Morgan Chase Bank N.A. | 914 | 7.77% | AA- | AA- | Aa1 |
| Royal Bank of Scotland PLC | 1,206 | 10.25% | A+ | AA- | Aa3 |
| Standard Chartered Bank | 646 | 5.49% | A+ | A+ | A2 |
| State Street Bank and Trust Co. | 893 | 7.59% | AA- | A+ | Aa2 |
| USB AG | 2,904 | 24.68% | A+ | A+ | Aa3 |
| Westpac Banking Corporation | 1 | 0.01% | AA | AA | Aa1 |
| Total | <u>\$ 11,765</u> | <u>100.00%</u> | | | |

The maximum amount of loss due to credit risk that the ASRS would incur if the counterparties to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangement is the total unrealized gain of derivatives at the end of the reporting period.

The ASRS has no general investment policy requiring collateral or other security to support derivative instruments. Each investment manager hired has discretion with respect to derivative investments and risk control. Each investment manager is governed by its Investment Manager Agreement.

The ASRS has no general investment policy with respect to netting arrangements. The ASRS's investment managers have master netting arrangements to allow net settlement with the same counterparty in the event the counterparty defaults on its obligations.

The ASRS's derivatives do not have contingent features.

The aggregate fair value of investment derivative instruments in asset positions at June 30, 2010 was \$38.600 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties fail to perform as contracted. There was no collateral received or netting arrangements in place at June 30, 2010 with counterparties that would reduce this exposure.

The ASRS has exposure to interest rate risk due to the investment in an interest rate swap agreement. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The fair value balance and notional amount of the interest rate swap outstanding as of June 30, 2010, for the year then ended, as reported in the June 30, 2010 financial statements are as follows (expressed in thousands):

| Interest Rate Risk for Interest Rate Swap | | | | |
|--------------------------------------------------|---------------------------------------------|-------------------|-----------------|--|
| Asset ID | Asset Description | Fair Value | Notional | |
| SWU058948 | IRS BRL R F 11.57000 / IRS BRL P V 00MCETIP | \$ 167 | \$ 34,000 | |

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule in Note 2.F.

Refer to Note 7.A.4.c. for information on debt derivatives utilized by ASU.

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J. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues a separately published Annual Financial Report. The report provides additional information relating to the State Treasurer's total investing activities, including the investment trust funds. A copy of the State Treasurer's Office Annual Financial Report can be obtained from their office location or website at:

Arizona State Treasurer's Office
1700 W. Washington St.
Phoenix, Arizona 85007
(602) 604-7800 or (877) 365-8310
www.aztreasury.gov

The Treasurer's financial statements are audited by the Office of the Auditor General.

NOTE 3. RECEIVABLES/DEFERRED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2010 (expressed in thousands):

| Type of Tax | General Fund | Transportation & Aviation Planning, Highway Maintenance & Safety Fund | Unemployment Compensation Fund | Industrial Commission Special Fund | Non-Major Governmental Funds | Government-wide Total |
|-----------------------------------|--------------|-----------------------------------------------------------------------|--------------------------------|------------------------------------|------------------------------|-----------------------|
| Sales | \$ 500,811 | \$ - | \$ - | \$ - | \$ 43,374 | \$ 544,185 |
| Income - individual and corporate | 205,210 | - | - | - | - | 205,210 |
| Motor vehicle and fuel | - | 60,649 | - | - | - | 60,649 |
| Luxury | 6,052 | - | - | - | 17,807 | 23,859 |
| Unemployment | - | - | 82,736 | - | - | 82,736 |
| Other | - | - | - | 3,925 | - | 3,925 |
| Gross taxes receivable | 712,073 | 60,649 | 82,736 | 3,925 | 61,181 | 920,564 |
| Allowance for uncollectible taxes | (235,197) | - | - | - | - | (235,197) |
| Net Taxes Receivable | \$ 476,876 | \$ 60,649 | \$ 82,736 | \$ 3,925 | \$ 61,181 | \$ 685,367 |

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B. DEFERRED REVENUE

At June 30, 2010, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

| Current Deferred Revenue for Governmental Funds: | Unavailable | Unearned | Total Deferred Revenue |
|------------------------------------------------------------------------|---------------------|-------------------|-------------------------------|
| General Fund: | | | |
| Delinquent sales tax | \$ 120,150 | \$ - | \$ 120,150 |
| Delinquent income tax | 102,750 | - | 102,750 |
| Tobacco settlement | 54,106 | - | 54,106 |
| Child support administrative reimbursements | 4,334 | - | 4,334 |
| Advance insurance premium taxes | - | 40,681 | 40,681 |
| Advance land lease payments | - | 291 | 291 |
| Public assistance overpayments | 826 | - | 826 |
| Vaccine & commodity food supplement | - | 1,176 | 1,176 |
| Advance county acute and long term care payments | - | 19,334 | 19,334 |
| Federal grants | 351,982 | - | 351,982 |
| Other | 2 | - | 2 |
| Transportation & Aviation Planning, Highway Maintenance & Safety Fund: | | | |
| Loans & notes receivable for asset purchases and construction | 8,461 | - | 8,461 |
| Land Endowments Fund: | | | |
| Land sales receivable | 240,697 | - | 240,697 |
| Land leases receivable | 8,429 | - | 8,429 |
| Advance land lease payments | - | 19,429 | 19,429 |
| Non-Major Funds: | | | |
| Public assistance overpayments | 940 | - | 940 |
| Advance payments for Hawaii/Arizona PMMIS Alliance | - | 955 | 955 |
| Other | - | 5 | 5 |
| Total Current Deferred Revenue for Governmental Funds | <u>892,677</u> | <u>81,871</u> | <u>974,548</u> |
| Noncurrent Deferred Revenue for Governmental Funds: | | | |
| General Fund: | | | |
| Advance land lease payments | - | 4,843 | 4,843 |
| Land Endowments Fund: | | | |
| Land sales receivable | 588,010 | - | 588,010 |
| Advance land lease payments | - | 77,113 | 77,113 |
| Total Noncurrent Deferred Revenue for Governmental Funds | <u>588,010</u> | <u>81,956</u> | <u>669,966</u> |
| Total Current and Noncurrent Deferred Revenue for Governmental Funds | <u>\$ 1,480,687</u> | <u>\$ 163,827</u> | <u>\$ 1,644,514</u> |
| Current Deferred Revenue for Proprietary Funds: | | Unearned | |
| Universities: | | | |
| Unexpended cash advances received | | \$ 43,456 | |
| Auxiliary sales and services | | 5,662 | |
| IBM lease related to acquisition of research park | | 4,900 | |
| Student tuition and fees | | 52,432 | |
| Deposits | | 1,189 | |
| Other | | 1,618 | |
| Non-Major Funds: | | | |
| Policyholders' advance premiums | | 5,062 | |
| Magazine subscriptions | | 2,462 | |
| Other | | 624 | |
| Total Current Deferred Revenue for Proprietary Funds | | <u>\$ 117,405</u> | |
| Noncurrent Deferred Revenue for Proprietary Funds: | | | |
| Universities: | | | |
| IBM lease related to acquisition of research park | | \$ 15,170 | |
| Total Noncurrent Deferred Revenue for Proprietary Funds | | <u>\$ 15,170</u> | |

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2010 were as follows (expressed in thousands):

| | Primary Government | | | | |
|----------------------------------------------------|------------------------------|---------------------|---------------------|------------------------------------------------|---------------------------|
| | Beginning Balance | Additions | Retirements | Adjustments & Reclassifications | Ending Balance |
| Governmental Activities: | | | | | |
| Non-depreciable capital assets: | | | | | |
| Land | \$ 2,488,112 | \$ 113,866 | \$ - | \$ 563 | \$ 2,602,541 |
| Construction in progress | 3,199,253 | 944,748 | (305,450) | (15,441) | 3,823,110 |
| Development in progress | 83,069 | 1,208 | - | - | 84,277 |
| Infrastructure | 10,631,789 | 420,342 | (15,343) | - | 11,036,788 |
| Total Non-depreciable Capital Assets | 16,402,223 | 1,480,164 | (320,793) | (14,878) | 17,546,716 |
| Depreciable capital assets: | | | | | |
| Buildings | 1,754,959 | 154,910 | (403) | (13,468) | 1,895,998 |
| Improvements other than buildings | 135,097 | 2,174 | (143) | 14,228 | 151,356 |
| Equipment | 713,524 | 28,725 | (39,642) | 26,204 | 728,811 |
| Software and other intangibles | 61,223 | 15,740 | (1,100) | 55,125 | 130,988 |
| Infrastructure | 15,321 | 15 | - | 6,284 | 21,620 |
| Total Depreciable Capital Assets | 2,680,124 | 201,564 | (41,288) | 88,373 | 2,928,773 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (591,563) | (41,321) | 185 | 8,768 | (623,931) |
| Improvements other than buildings | (74,618) | (7,074) | 143 | 953 | (80,596) |
| Equipment | (522,210) | (63,675) | 37,885 | (2,182) | (550,182) |
| Software and other intangibles | (27,492) | (7,790) | 1,100 | (51,002) | (85,184) |
| Infrastructure | (6,907) | (649) | - | (2,526) | (10,082) |
| Total Accumulated Depreciation | (1,222,790) | (120,509) | 39,313 | (45,989) | (1,349,975) |
| Total Depreciable Capital Assets, Net | 1,457,334 | 81,055 | (1,975) | 42,384 | 1,578,798 |
| Total Governmental Activities Capital Assets, Net | <u>\$ 17,859,557</u> | <u>\$ 1,561,219</u> | <u>\$ (322,768)</u> | <u>\$ 27,506</u> | <u>\$ 19,125,514</u> |
| | Beginning Balance | Additions | Retirements | Adjustments & Reclassifications | Ending Balance |
| Business-type Activities: | | | | | |
| Non-depreciable capital assets: | | | | | |
| Land | \$ 181,400 | \$ 4,276 | \$ (384) | \$ - | \$ 185,292 |
| Construction in progress | 131,054 | 196,393 | (1,148) | (71,103) | 255,196 |
| Collections | 17,882 | 8 | (141) | - | 17,749 |
| Total Non-depreciable Capital Assets | 330,336 | 200,677 | (1,673) | (71,103) | 458,237 |
| Depreciable capital assets: | | | | | |
| Buildings | 3,877,636 | 59,196 | (5,169) | 50,745 | 3,982,408 |
| Improvements other than buildings | 4,811 | - | - | - | 4,811 |
| Equipment | 1,345,615 | 93,932 | (32,218) | 6,093 | 1,413,422 |
| Infrastructure | 367,408 | 1,982 | (14) | 14,507 | 383,883 |
| Total Depreciable Capital Assets | 5,595,470 | 155,110 | (37,401) | 71,345 | 5,784,524 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,445,451) | (119,636) | 2,149 | 6 | (1,562,932) |
| Improvements other than buildings | (2,688) | (187) | - | (6) | (2,881) |
| Equipment | (943,624) | (89,865) | 28,798 | (2) | (1,004,693) |
| Infrastructure | (129,430) | (12,687) | 3 | - | (142,114) |
| Total Accumulated Depreciation | (2,521,193) | (222,375) | 30,950 | (2) | (2,712,620) |
| Total Depreciable Capital Assets, Net | 3,074,277 | (67,265) | (6,451) | 71,343 | 3,071,904 |
| Total Business-type Activities Capital Assets, Net | <u>\$ 3,404,613</u> | <u>\$ 133,412</u> | <u>\$ (8,124)</u> | <u>\$ 240</u> | <u>\$ 3,530,141</u> |

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The governmental activities capital asset beginning balances for the year ended June 30, 2010 have been reclassified due to the implementation of GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets.

Depreciation expense was charged to governmental functions as follows (expressed in thousands):

| | |
|-------------------------------|-------------------|
| General government | \$ 24,453 |
| Health and welfare | 16,109 |
| Inspection and regulation | 1,814 |
| Education | 5,063 |
| Protection and safety | 43,905 |
| Transportation | 19,648 |
| Natural resources | 9,517 |
| Total Governmental Activities | <u>\$ 120,509</u> |

Depreciation expense was charged to business-type activities as follows (expressed in thousands):

| | |
|------------------------------------|-------------------|
| Lottery | \$ 353 |
| Industrial Commission Special Fund | 1,339 |
| Universities | 218,577 |
| Other | 2,106 |
| Total Business-type Activities | <u>\$ 222,375</u> |

| |
|---------------------------------|
| NOTE 5. PENSION BENEFITS |
|---------------------------------|

The State participates in the ASRS, the PSPRS, the EORP, and the CORP. Benefits are established by State statutes and provide retirement, death, and survivor benefits to State employees, public school employees and employees of counties, municipalities, and other State political subdivisions.

A. PARTICIPATING EMPLOYERS

The number of participating government employers as of June 30, 2010 is shown below:

| Employer | ASRS | PSPRS | EORP | CORP |
|------------------------------|------|-------|------|------|
| Cities and towns | 78 | 143 | 21 | 1 |
| Counties and county agencies | 15 | 21 | 15 | 14 |
| State | 1 | 1 | 1 | 1 |
| Special districts | 93 | 60 | - | - |
| School districts | 243 | - | - | - |
| Charter schools | 156 | - | - | - |
| Community college districts | 10 | - | - | - |
| Dispatchers | - | - | - | 8 |

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

For the ASRS, contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Pension benefit and refund payments are recognized when due and payable in accordance with the terms of the plan.

For the PSPRS, the EORP, and the CORP, member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension benefits are recognized when due and payable in accordance with the terms of the plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid.

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C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements may be amended by the Arizona State Legislature.

Cost-sharing plans

For the year ended June 30, 2010, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 9.00% and 8.34% of the members' annual covered payroll, respectively. The State's contributions to the ASRS for the years ended June 30, 2010, 2009, and 2008 were \$155.349 million, \$155.820 million, and \$162.121 million, respectively, for the primary government which were equal to the required contributions for these years.

In addition, active EORP members were required by statute to contribute 7.00% of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 24.36% of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2010, 2009, and 2008 were \$2.643 million, \$2.830 million, and \$2.230 million, respectively, which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 9.84 - 42.86%. Active CORP members were required by statute to contribute 8.41% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 7.44 - 8.12%.

D. ANNUAL PENSION COST

The State's annual pension costs, required contributions, and excess other post-employment benefit (OPEB) contributions applied to pensions (see Note 6.A. and B. for explanation) for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2010, is as follows (expressed in thousands):

| | Annual Pension Costs | Pension Contributions Made | |
|-------|-------------------------|----------------------------|------------------------------|
| | | Required Contributions | Excess OPEB Contributions |
| PSPRS | \$ 29,008 | \$ 29,008 | \$ 417 |
| CORP | 33,251 | 33,251 | 2,161 |

The State's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension for the current and preceding year follows for each of the agent, multiple-employer defined benefit pension plans. (expressed in thousands)

| | Fiscal Year Ended | Annual Pension Costs | Percentage of Annual Cost Contributed | Net Pension |
|-------|----------------------|-------------------------|---------------------------------------------|-------------|
| PSPRS | 6/30/10 | \$ 29,008 | 101% | \$ 1,691 |
| | 6/30/09 | 30,588 | 102% | 1,274 |
| | 6/30/08 | 25,879 | 102% | 600 |
| CORP | 6/30/10 | 33,251 | 106% | 6,952 |
| | 6/30/09 | 35,022 | 106% | 4,791 |
| | 6/30/08 | 26,405 | 110% | 2,603 |

E. FUNDED STATUS AND FUNDING PROGRESS

The State's funded status for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuation, is as follows (expressed in thousands):

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| Plan | Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | (Unfunded) AAL | Funded Ratio | Annual Covered Payroll | (Unfunded) AAL as a Percentage of Covered Payroll |
|-------|--------------------------------|--------------------------------------|-----------------------------------------|-------------------|-----------------|------------------------------|---------------------------------------------------------------|
| PSPRS | 6/30/2010 | \$ 554,211 | \$ 891,215 | \$ (337,004) | 62.2% | \$ 92,791 | (363.2)% |
| CORP | 6/30/2010 | 838,549 | 980,676 | (142,127) | 85.5% | 363,999 | (39.0)% |

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit pension plans for the most recent actuarial valuation as of 6/30/10 and actuarial valuation as of 6/30/08 that was used to determine the fiscal year 2010 annual required contribution are as follows:

| | PSPRS | CORP | PSPRS | CORP |
|----------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|
| Actuarial valuation date | 6/30/08 | 6/30/08 | 6/30/10 | 6/30/10 |
| Actuarial cost method | projected unit credit | projected unit credit | projected unit credit | projected unit credit |
| Actuarial assumptions: | | | | |
| Investment rate of return | 8.50% | 8.50% | 8.50% | 8.50% |
| Projected salary increases | 5.50 ~ 8.50% | 5.50 ~ 8.50% | 5.50 ~ 8.50% | 5.50 ~ 8.50% |
| includes inflation at | 5.00% | 5.00% | 5.50% | 5.50% |
| Cost-of-living adjustments | None | None | None | None |
| Amortization method | level percent closed for unfunded actuarial accrued liability, open for excess | level percent closed for unfunded actuarial accrued liability, open for excess | level percent-of-pay closed | level percent-of-pay closed |
| Remaining amortization | 28 years for unfunded actuarial accrued liability, 20 years for excess | 28 years for unfunded actuarial accrued liability, 20 years for excess | 26 years for unfunded actuarial accrued liability, 20 years for excess | 26 years for unfunded actuarial accrued liability, 20 years for excess |
| Asset valuation method | smoothed market value | smoothed market value | 7-year smoothed market | 7-year smoothed market |

G. UNIVERSITIES' RETIREMENT PLANS

Faculty, academic professionals, service professionals, and administrative staff at the three universities (the ASU, the NAU, and the U of A) may select one of four retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), or the ASRS. The ASRS is a defined benefit plan and the other three plans are defined contribution plans. The three defined contribution plans are administered by independent insurance and annuity companies approved by the ABOR. In addition, the U of A employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions made by employees vest immediately and the Universities' contributions vest no later than after five years of full-time employment. Employees and Universities' contributions and associated returns earned on investments may be withdrawn starting upon termination of employment, death, or retirement. The distribution of employee contributions and associated investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity company. Universities' contributions and associated investment earnings must be distributed to the employee in the form of an annuity paid over the employee's life.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2010, plan members and the three Universities were each required by statute to contribute an amount equal to

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7.00% of an employee's compensation, except for a 7.40% member contribution and an 8.06% University contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2010, were as follows (expressed in thousands):

| Plan | University Contributions | Employee Contributions | Total Contributions |
|-----------|-----------------------------|---------------------------|------------------------|
| TIAA/CREF | \$ 30,139 | \$ 30,139 | \$ 60,278 |
| VALIC | 2,639 | 2,639 | 5,278 |
| Fidelity | 13,986 | 13,986 | 27,972 |
| ASRS | 19 | 18 | 37 |

| |
|-----------------------------------------------|
| NOTE 6. OTHER POST-EMPLOYMENT BENEFITS |
|-----------------------------------------------|

A. PLAN DESCRIPTION

Cost-sharing plans

In addition to the pension benefits described, the ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. The ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. Information on how to obtain this report is included in Note 1.A.

The EORP, by statute, is a cost-sharing, multiple employer plan. However, because of its statutory structure, in accordance with GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, paragraphs 5 and 41, the EORP's health insurance premium subsidy benefit (OPEB) is reported for such purposes as an agent, multiple-employer plan. Information on how to obtain the EORP's publicly available financial report is included in Note 1.A. However, the EORP's OPEB benefit is relatively insignificant to the State's financial statements and, therefore, is not further described in these notes or the RSI that follows.

Agent plans

In addition to pension benefits described, the PSPRS and the CORP each offer a health insurance premium subsidy benefit to retired members and survivors, which are agent, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the health insurance subsidy benefit provisions to the Arizona State Legislature. The PSPRS and the CORP do not administer a separate healthcare plan as defined under IRC § 401(h) or an equivalent agreement. In addition, the PSPRS and the CORP are not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefits payments. Therefore, in accordance with GASB Statement No. 43, the health insurance subsidy benefit is reported as an agency fund. There are no accumulated assets or liabilities, only contributions and benefit distributions are presented in these funds. All assets of the PSPRS and the CORP are available to pay both pension benefits and the health insurance subsidy benefits. The PSPRS and the CORP each issue publicly available financial reports that include the financial information and disclosure requirements for the health insurance subsidy benefits. Information on how to obtain these reports is included in Note 1.A.

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

Cost-sharing plan

The ASRS recognition of contributions for the HBS plan and the LTD plan are the same as the pension benefit in Note 5.B. Benefit and refund payments are recognized when due and payable in accordance with the terms of the HBS plan and LTD plan.

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Agent plans

The PSPRS and the CORP recognition of employer contributions and refunds for the health insurance subsidy benefit are the same as the pension benefit in Note 5.B. Contributions in excess of the health insurance subsidy payments are reported as excess pension contributions in the pension benefit plan. Health insurance subsidy benefits are recognized when due and payable in accordance with the terms of the plan.

C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements are established and may be amended by the Arizona State Legislature.

Cost-sharing plan

For the year ended June 30, 2010, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 0.40% of the members' annual covered payroll for LTD. In addition, the State also contributed 0.66% for the HBS. The State's contributions for LTD to the ASRS for the years ended June 30, 2010, 2009, and 2008 were \$7.451 million, \$9.751 million, and \$10.070 million, respectively, for the primary government which were equal to the required contributions for these years. The State's contributions for the HBS to the ASRS for the years ended June 30, 2010, 2009, and 2008 were \$12.294 million, \$18.722 million, and \$21.146 million, respectively, for the primary government which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2010, the PSPRS participating State agencies were required to contribute at actuarially determined rates of 1.16 - 3.53% of covered payroll. The CORP participating State agencies were required to contribute at actuarially determined rates of 0.97 - 1.07% of covered payroll.

D. ANNUAL OPEB COST

The State's annual OPEB costs, OPEB contributions made, and increase in OPEB obligation for each of the agent, multiple-employer defined benefit post-employment plans for the year ended June 30, 2010, is as follows (expressed in thousands):

| | Annual OPEB Costs | OPEB Contributions Made | Increase in OPEB Obligation |
|-------|----------------------|----------------------------|--------------------------------|
| PSPRS | \$ 2,074 | \$ 1,657 | \$ 417 |
| CORP | 3,996 | 1,835 | 2,161 |

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding year follows for each of the agent, multiple-employer defined benefit post-employment plans. (expressed in thousands)

| | Fiscal Year Ended | Annual OPEB Cost (AOC) | Percentage of AOC Contributed | Net OPEB Obligation |
|-------|----------------------|---------------------------|----------------------------------|------------------------|
| PSPRS | 6/30/10 | \$ 2,074 | 79.9% | \$ 1,691 |
| | 6/30/09 | 2,401 | 71.9% | 1,274 |
| | 6/30/08 | 2,350 | 74.5% | 600 |
| CORP | 6/30/10 | 3,996 | 45.9% | 6,952 |
| | 6/30/09 | 3,918 | 44.2% | 4,791 |
| | 6/30/08 | 4,301 | 39.5% | 2,603 |

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E. FUNDED STATUS AND FUNDING PROGRESS

The State's funded status for each of the agent, multiple-employer defined benefit post-employment plans, as of the year ended June 30, 2010, is as follows (expressed in thousands):

| Plan | Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | (Unfunded) AAL | Funded Ratio | Annual Covered Payroll | (Unfunded) AAL as Percentage of Covered Payroll |
|-------|--------------------------------|--------------------------------------|-----------------------------------------|-------------------|-----------------|------------------------------|-------------------------------------------------------------|
| PSPRS | 6/30/2010 | - | \$ 26,846 | \$ (26,846) | 0.0% | \$ 92,791 | (28.9)% |
| CORP | 6/30/2010 | - | 46,868 | (46,868) | 0.0% | 363,999 | (12.9)% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit post-employment plans for the most recent actuarial valuation as of 6/30/10 and actuarial valuation as of 6/30/08 that was used to determine the fiscal year 2010 annual required contribution are as follows:

| | PSPRS | CORP | PSPRS | CORP |
|----------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|
| Actuarial valuation date | 6/30/08 | 6/30/08 | 6/30/10 | 6/30/10 |
| Actuarial cost method | projected unit credit | projected unit credit | projected unit credit | projected unit credit |
| Actuarial assumptions: | | | | |
| Investment rate of return | 8.50% | 8.50% | 8.50% | 8.50% |
| Projected salary increases | 5.50 ~ 8.50% | 5.50 ~ 8.50% | 5.50 ~ 8.50% | 5.50 ~ 8.50% |
| includes inflation at | 5.00% | 5.00% | 5.50% | 5.50% |
| Cost-of-living adjustments | None | None | None | None |
| Amortization method | level percent closed for unfunded actuarial accrued liability, open for excess | level percent closed for unfunded actuarial accrued liability, open for excess | level percent-of-pay closed | level percent-of-pay closed |
| Remaining amortization | 28 years for unfunded actuarial accrued liability, 20 years for excess | 28 years for unfunded actuarial accrued liability, 20 years for excess | 26 years for unfunded actuarial accrued liability, 20 years for excess | 26 years for unfunded actuarial accrued liability, 20 years for excess |
| Asset valuation method | not applicable | not applicable | not applicable | not applicable |

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| NOTE 7. LONG-TERM OBLIGATIONS |
|--------------------------------------|

A. REVENUE BONDS

Governmental Activities

1. Department of Administration

On June 15, 2010, the State sold State Lottery Revenue Bonds Series 2010A (2010A Bonds) for \$425.420 million to (i) provide monies to deposit in the State's General Fund to pay appropriated expenditures of the State and (ii) pay costs of issuing the 2010A Bonds. The 2010A Bonds include \$425.420 million of serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from July 1, 2013 to July 1, 2029. The bonds maturing on or after July 1, 2021 are subject to optional redemption, without premium, on or after January 1, 2020. The bonds maturing on or after July 1, 2017 are subject to mandatory redemption prior to maturity, pursuant to the debt documents. The 2010A Bonds were sold with net original issue premium of \$30.187 million. The State Lottery realized net proceeds of \$450.000 million, after payment of \$5.607 million for issuance costs, underwriter discounts, and bond insurance, and immediately transferred these monies to the State's General Fund.

The State has pledged portions of its gross revenues towards the payment of debt service on the 2010A Bonds. These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are payable solely from and secured by pledged revenues consisting of, until July 1, 2012, amounts distributable to the State's General Fund from the State Lottery pursuant to Lottery law, and from and after July 1, 2012, all Lottery revenues deposited to the Lottery Fund net of operating expenses of the Lottery. At June 30, 2010, pledged revenues totaled \$64.298 million, of which 3.5% (\$2.255 million) was required to cover debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of July 1, 2029 is \$677.598 million.

2. Arizona Department of Transportation

The ADOT has issued Senior and Subordinated Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal and state highways. The original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$1.7 billion.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes. On September 21, 2006, House Bill 2206 became effective and eliminated the restriction that limited the principal amount of the Highway Revenue Bonds that could be outstanding at any time to \$1.3 billion. Also during fiscal year 2007, the ADOT received legislative authority to begin issuing Highway Revenue Bonds with maturities of up to 30 years in length, replacing the 20 year maturity requirement that has been in place since 1980.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$1.7 billion in outstanding Highway Revenue Bonds issued since 2001. Proceeds from the bonds finance portions of the ADOT's Five Year Transportation Facilities Construction Program. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2033. The total principal and interest remaining to be paid on the bonds is \$2.5 billion. Principal and interest paid for the current year and total pledged revenues were \$155.800 million and \$502.900 million, respectively. The annual principal and interest payments on the bonds required 31.00% of the pledged revenues.

The Maricopa County Regional Area Road Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$777.130 million.

On September 21, 2007, the ADOT adopted a Master Resolution relating to Transportation Excise Tax Revenue Bonds. On April 17, 2009, the ADOT adopted the Second Supplemental Resolution authorizing the issuance of the second series of bonds under the Master Resolution in an amount not to exceed \$440.000 million. No debt service reserve is required for the outstanding bonds.

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Transportation Excise Tax Revenue Bonds aggregating \$404.805 million are subject to redemption prior to their maturity dates at the option of the ADOT in whole or in part, at any time, on or after July 1, 2017. These bonds may be redeemed at par, plus accrued interest to the date fixed for redemption. Transportation Excise Tax Revenue Bonds aggregating \$339.010 million are not subject to redemption.

The ADOT has pledged future transportation excise taxes to repay \$743.815 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2007. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$1.1 billion. Principal and interest paid for the current year and total pledged revenues were \$71.500 million and \$199.700 million, respectively. The annual principal and interest payments on the bonds required 35.80% of the pledged revenues.

In prior fiscal years, the ADOT refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the ADOT at June 30, 2010 totaled \$134.765 million.

3. School Facilities Board

In prior fiscal years, the School Facilities Board (SFB) refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the SFB at June 30, 2010 totaled \$535.310 million.

The SFB has pledged portions of its gross revenues towards payment of debt related to State school improvement revenue bonds, State school improvement revenue refunding bonds, State school trust revenue bonds, and State school trust revenue refunding bonds outstanding at June 30, 2010. These bonds finance the correction of existing deficiencies in school facilities in the State of Arizona. These pledged revenues include Education Transaction Privilege Taxes approved by voters as part of Proposition 301 and expendable State School Trust Revenues. Expendable State School Trust Revenues include State Trust Lands' land lease revenue, interest earnings on land sales financed over time, and a formula distribution from the State's Permanent Fund prescribed by the State's Constitution. Pledged revenues do not include sales of State Trust Lands, sales of natural products derived from State Trust Lands, or royalties from minerals extracted from State Trust Lands. These revenues are held in perpetuity for the benefit of various beneficiaries of the State Land Trust and are not available to pay debt service. Expendable State School Revenues in excess of \$72.263 million are not available to pay debt service on the State school trust revenue bonds and State school trust revenue refunding bonds per the debt documents. At June 30, 2010, pledged revenues totaled \$542.538 million, of which 16.32% (\$88.553 million) was required to cover current year debt service. Future pledged revenues required to pay all future debt service on these bonds through final maturity of July 1, 2021 is \$859.635 million.

Business-Type Activities

4. Universities

a. University of Arizona

The U of A's bonded debt consists of various issues of system revenue bonds and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities and infrastructure. Bond proceeds are also used for refunding obligations from previously issued bonds.

On June 15, 2010, the U of A sold SPEED Revenue Bonds Taxable Series 2010 Build America Bonds for \$147.475 million dated June 23, 2010. The 2010 Bonds include \$29.675 million of serial bonds with interest rates ranging from 4.31% to 6.06% and

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maturity dates ranging from 2016 to 2025. The 2010 Bonds also include two term bonds consisting of \$63.580 million with an interest rate of 6.42% due August 1, 2035; and \$54.220 million with an interest rate of 6.64% due August 1, 2044. The serial bonds with maturity on or after August 1, 2021, are subject to optional redemption without premium. The term bonds are subject to mandatory sinking fund redemption without premium. All of the 2010 bonds are subject to extraordinary optional redemption should the Federal government fail to provide the interest subsidy described below. The U of A realized net proceeds of \$146.126 million after payment of \$1.349 million for issuance costs and underwriter discounts. The net proceeds will be used to finance the Health Science Education Building and building renewal projects. Under the bond resolution, up to 80% of the debt service payments on the 2010 Bonds are payable from the U of A's SPEED revenue bond account monies, which are derived from certain revenues of the Arizona State Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the 2010 Bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the U of A's system revenue bonds.

The 2010 SPEED Revenue Bonds were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the U of A is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the U of A must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the U of A by the Federal government may be reduced or eliminated due to such issues as failure by the U of A to submit the required information, any amounts owed by the U of A to the Federal government, or changes in the law that would reduce or eliminate such payments. The U of A is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2010. The bonds generally provide financing for various capital projects of the U of A. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. At June 30, 2010, pledged revenues totaled \$783.300 million, of which 6.20% (\$48.400 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.00% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2044 is \$1.1 billion.

b. Northern Arizona University

On December 17, 2009, the NAU sold \$108.860 million of Taxable Series 2009A System Revenue Bonds and \$5.640 million of Tax Exempt Series 2009B System Revenue Bonds for the purpose of construction and improvement of a new Health and Learning Center, demolition and reconstruction of Lumberjack Stadium, improvements to utility extensions for the northeast portion of the NAU Campus, and various other capital projects. The Taxable Series 2009A Bonds included serial bonds of \$27.290 million with interest rates ranging from 4.84% to 5.84% and two term bonds of \$26.610 million and \$54.960 million, with interest rates of 6.59% and 6.69%, respectively, that mature on June 1, 2030 and 2039, respectively. The term bonds are subject to annual sinking fund contributions. The Tax Exempt Series 2009B Bonds have an interest rate of 5.00%. Both bond issues are generally subject to redemption prior to maturity. The 2009 System Revenue Bonds are secured by a first lien on certain gross revenues of the University that primarily consist of student tuition and fees, and certain auxiliary revenues and are on parity with the NAU's previously issued System Revenue Bonds.

On April 28, 2010, the NAU sold \$64.785 million of SPEED Revenue Bonds Taxable Series 2010 for the purpose of the Skydome Renovation Project, Liberal Arts Building Renovation Project, Hotel and Restaurant Management School Renovation Project, North Campus Utilities Upgrade Project, and the North Union Building Renovation Project. The Taxable Series 2010 Bonds included serial bonds of \$38.930 million with interest rates ranging from 4.27% to 6.27%. The 2010 Bonds also included a \$25.855 million term bond, with an interest rate of 6.59% that matures on August 1, 2030, and is subject to annual sinking fund contributions. The bonds are generally subject to redemption prior to maturity. The 2010 Taxable Bonds are limited obligations that are payable solely from and secured solely by a pledge from the NAU Account of the SPEED Fund which is derived from certain revenues of the Arizona State Lottery not to exceed 80% of annual debt service and other NAU monies equal to at least 20%, and as much as 100% of annual debt service. To the extent monies of the SPEED Fund are not sufficient to make the debt service payments, the 2010 Taxable Bonds are also secured by a pledge of certain gross revenues, but that pledge is junior and subordinate to the pledge of those gross revenues for the NAU's system revenue bonds.

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The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of ARRA. As such, the NAU is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the NAU must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the NAU by the Federal government may be reduced or eliminated due to such issues as failure by the NAU to submit the required information, any amounts owed by the NAU to the Federal government, or changes in the law that would reduce or eliminate such payments. The NAU is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as nonoperating revenue.

In prior years, the NAU defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2010, \$41.130 million of such bonds outstanding are considered defeased.

The NAU has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2010. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. At June 30, 2010, pledged revenues totaled \$198.200 million, of which 9.40% (\$18.700 million) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of June 1, 2040 is \$680.000 million.

c. Arizona State University

At June 30, 2010, the ASU held a combination of fixed and variable rate bonds. The ASU's fixed rate bonded debt consists of various issues of system revenue bonds that are generally callable at a prescribed date with interest payable semi-annually. Certain system revenue bonds of the ASU were defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all such bonds outstanding at June 30, 2010 was \$36.100 million.

In April 2010, the ASU issued \$178.350 million in system revenue bonds, Taxable Series 2010A and Tax-Exempt Series 2010B, to fund construction of the Interdisciplinary Science and Technology Building IV. The Taxable Series 2010A bonds were issued as Build America Bonds under the provisions of ARRA. As such, the ASU is eligible to receive Direct Payments from the U. S. Treasury equal to 35.00% of the interest owing on such Bonds on each interest payment date. In order to receive such Direct Payments, the ASU must file certain required information with the Federal government between 90 and 45 days prior to each interest payment date. The amount paid to the ASU by the Federal government may be reduced or limited due to such issues as failure by the ASU to submit the required information, offsets to reflect any amounts owed by the ASU to the Federal government, or changes in the law that would reduce or eliminate such payments. The ASU is currently not aware of any issues that may adversely impact the receipt of Direct Payments from the Federal government related to such designated Build America Bonds. For accounting purposes, the Direct Payments are recorded as nonoperating revenue and, as such, are not netted against interest expense. The 2010A Build America Bonds were issued for \$166.000 million with an average maturity of 19.5 years and the 2010B Bonds were issued for \$12.400 million with an average maturity of 4.2 years, and the combined average interest rate is 5.99% gross of Direct Payments and 3.94% net of Direct Payments.

The ASU has outstanding two series of Variable Rate Demand System Revenue Refunding Bonds, Series 2008A and 2008B (2008A&B Bonds), totaling \$103.680 million with final maturities of July 1, 2034. Both series continue to bear interest at a weekly rate not to exceed 12.00% per annum based upon prevailing market conditions, as determined by the respective remarketing agents. The bonds are subject to conversion, at the option of the Arizona Board of Regents (ABOR) on behalf of the ASU, to a different or alternate adjustable rate mode, or a fixed rate pursuant to the bond indenture. The interest rate in effect on June 30, 2010 was 0.18% for the Series 2008A and 0.17% for the Series 2008B bonds.

The variable rate bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice to the remarketing agents. To provide credit and liquidity support for the Bonds, the ASU entered into an Irrevocable Letter of Credit and Reimbursement Agreement (LOC) with Lloyds TSB Bank, PLC, upon execution of the refunding

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bonds. The LOC expires on June 15, 2012. Assuming all of the \$51.800 million Series 2008A and \$51.800 million Series 2008B bonds are not resold within 90 days, the ASU would be responsible to make quarterly installment principal payments of \$5.200 million over a five-year period, plus interest to be calculated as established in the letter of credit. The ASU has agreed to pay TSB Bank, PLC, an annual commitment fee for the letter of credit of 1.55% per annum on the stated amount which includes outstanding principal of the bonds, plus 51 days of interest, at an assumed rate of 12.00% per annum.

Effective January 1, 2007, the ASU entered into a swap agreement (hedging derivative instrument) on \$103.000 million, notional amount, relating to the 2008A&B Bonds. The \$103.000 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The notional amount under the swap decreases as principal payments are made on the 2008A&B Bonds. The intention of the swap was to effectively change the variable rate interest on the 2008A&B Bonds to a synthetic fixed rate. The swap agreement expires on July 1, 2034. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The ASU is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty and the variable rate paid to bondholders. The SIFMA rate at June 30, 2010 was 0.25%. At June 30, 2010, the synthetic fixed interest rate on the bonds was:

| Interest Rate Swap | Terms | Rates (%) |
|----------------------------------------|-----------------|------------------|
| Fixed payment to counterparty | Fixed | 3.91 |
| Variable payment from counterparty | SIFMA | (.25) |
| Net interest rate swap payments | | 3.66 |
| Variable-rate bond coupon payments | Spread to SIFMA | .18 |
| Synthetic fixed interest rate on bonds | | 3.84 |

As of June 30, 2010, the swap had a fair value of \$(11.126) million, which represents the cost to the ASU to terminate the swap. The June 30, 2009 fair value was \$(5.700) million.

In accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53), the fair value of the ASU's hedging derivative instrument will be reported on the Statement of Net Assets as an asset (deferred outflow) and a liability (derivative instrument). In addition, in the year of implementation, GASB 53 requires retroactive restatement of the financial statements for the effect of the hedging derivative instrument; however, as the hedging derivative has been effective, the ASU did not restate the financial statements retroactively.

The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

As of June 30, 2010, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A+ by Fitch, A by Standard & Poor's and A2 by Moody's Investor Services as of June 30, 2010. Based on the current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the ASU's overall exposure exceeds predetermined levels. Collateral may be held by the ASU or a third party custodian.

The swap exposes the ASU to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds which is also a variable rate with a spread to SIFMA. This basis risk can be the result of a downgrade of the ASU's rating or the pricing of the ASU's bonds by the remarketing agent at rates higher than the SIFMA index.

The ASU continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the ASU effectively pays a fixed rate on the debt. If a default occurs regarding the swap agreement, the non-defaulting party may designate a date to terminate the agreement. The ASU will revert to a variable rate if the counterparty defaults or if the swap is terminated. A termination of the swap agreement may also result in the ASU making or receiving a termination payment.

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Securities and cash restricted for bonds debt service held by the trustee at June 30, 2010 totaled \$54.300 million.

The ASU has pledged portions of its revenues towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2010. The related revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2010, pledged revenues totaled \$782.700 million, of which 7.00% (\$54.600 million) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for system revenue bonds through final maturity of July 1, 2039 is \$1.2 billion. In addition, the ASU has pledged the same revenues on a subordinate basis to secure the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2010 were \$10.200 million with annual debt service requirements of approximately \$1.200 million through July 1, 2021.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2010 (expressed in thousands):

| Revenue Bonds Outstanding | Dates Issued | Maturity Dates | Interest Rates | Outstanding Balance at June 30, 2010 |
|------------------------------|-----------------|-------------------|-------------------|--------------------------------------------|
| Governmental Activities: | | | | |
| Department of Transportation | 2001-2009 | 2011-2033 | 2.00-5.50% | \$2,416,440 |
| School Facilities Board | 2001-2008 | 2011-2021 | .14-5.75% | 680,745 |
| Department of Administration | 2010 | 2013-2029 | 3.00-5.00% | 425,420 |
| Proprietary Funds: | | | | |
| University Revenue Bonds | 1992-2010 | 2011-2045 | .18-6.64% | 1,692,825 |

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2010 are as follows (expressed in thousands):

| Annual Debt Service | | | | | | | |
|-------------------------|--------------------|-------------------|--------------|--------------------------|-------------------|----------------------------------------------------|--------------|
| Governmental Activities | | | | Business-type Activities | | | |
| Fiscal Year | Total Principal | Total Interest | Total | Total Principal | Total Interest | Net Payments (Receipts) on Swap Agreement | Total |
| 2011 | \$ 162,520 | \$ 174,930 | \$ 337,450 | \$ 58,505 | \$ 81,185 | \$ 3,716 | \$ 143,406 |
| 2012 | 170,705 | 165,776 | 336,481 | 53,050 | 79,938 | 3,632 | 136,620 |
| 2013 | 196,225 | 157,083 | 353,308 | 58,850 | 77,466 | 3,544 | 139,860 |
| 2014 | 205,960 | 147,324 | 353,284 | 65,460 | 74,639 | 3,452 | 143,551 |
| 2015 | 215,325 | 136,972 | 352,297 | 68,735 | 71,601 | 3,355 | 143,691 |
| 2016-2020 | 1,218,525 | 515,051 | 1,733,576 | 321,385 | 312,375 | 15,141 | 648,901 |
| 2021-2025 | 895,465 | 247,322 | 1,142,787 | 310,080 | 238,464 | 11,884 | 560,428 |
| 2026-2030 | 334,975 | 75,242 | 410,217 | 318,275 | 157,220 | 7,732 | 483,227 |
| 2031-2035 | 122,905 | 12,484 | 135,389 | 237,405 | 89,574 | 2,440 | 329,419 |
| 2036-2040 | - | - | - | 168,435 | 34,060 | - | 202,495 |
| 2041-2045 | - | - | - | 32,645 | 5,604 | - | 38,249 |
| Total | \$ 3,522,605 | \$ 1,632,184 | \$ 5,154,789 | \$ 1,692,825 | \$ 1,222,126 | \$ 54,896 | \$ 2,969,847 |

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The original amount of GANs issued in prior years and outstanding at the start of the fiscal year was \$329.650 million.

The ADOT has pledged federal revenues to repay \$304.480 million in outstanding GANs issued since 2003. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona. The bonds are payable solely from federal revenues and are payable through 2016. The total principal and interest remaining to be

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paid on the bonds is \$353.289 million. Principal and interest paid for the current year and total pledged revenues were \$41.540 million and \$544.500 million, respectively. The annual principal and interest payments on the bonds required 7.60% of the pledged revenues.

Grant Anticipation Notes currently outstanding are as follows (expressed in thousands):

| Grant Anticipation Notes Outstanding | Dates Issued | Maturity Dates | Interest Rates | Outstanding Balance at June 30, 2010 |
|----------------------------------------------------------|-----------------|-------------------|-------------------|--------------------------------------------|
| Governmental Activities: Department of Transportation | 2004-2009 | 2011-2016 | 2.50-5.00% | \$ 304,480 |

Future debt service principal and interest payments on Grant Anticipation Notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

| Annual Debt Service | | | |
|-------------------------|--------------------|-------------------|-----------------------|
| Governmental Activities | | | |
| Fiscal Year | Total Principal | Total Interest | Total Debt Service |
| 2011 | \$ 70,570 | \$ 14,834 | \$ 85,404 |
| 2012 | 43,885 | 11,405 | 55,290 |
| 2013 | 45,340 | 9,284 | 54,624 |
| 2014 | 55,265 | 7,121 | 62,386 |
| 2015 | 53,330 | 4,389 | 57,719 |
| 2016 | 36,090 | 1,776 | 37,866 |
| Total | <u>\$ 304,480</u> | <u>\$ 48,809</u> | <u>\$ 353,289</u> |

C. CERTIFICATES OF PARTICIPATION

Governmental Activities

1. Department of Administration

The State has issued COPs to finance construction or improvements of various capital assets. Additionally, the State issued COPs Series 2010A and 2010B to finance the acquisition of certain property from the State by the Trustee, with which the proceeds of were deposited to the State's General Fund to pay appropriated expenditures of the State. The COPs Series 2010A and 2010B sale-leaseback transactions are nominal sales, with the State retaining all rights of ownership and control of the properties. Accordingly, they are accounted for under the financing method since the State has such an extensive continuing involvement in the properties for the entire duration of the agreement. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the State Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate, and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The scheduled payments of principal and interest with respect to the COPs are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

On January 26, 2010, the State of Arizona, acting through the Director of the Department of Administration, issued COPs Series 2010A for \$709.090 million. The 2010A COPs include \$709.090 million of serial certificates with interest rates ranging from 2.00% to 5.25% and maturity dates ranging from 2013 to 2030. The 2010A certificates maturing on or after October 1, 2020 are subject to optional redemption, prior to maturity, without premium. The 2010A certificates maturing on or after October 1, 2017 are subject to mandatory redemption pursuant to the COP documents. The State realized net proceeds of \$735.419 million after

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receipt of \$34.187 million net original issue premium and payment of \$7.858 million of issuance costs, including underwriters' discount. The 2010A COPs were issued to: (i) finance the acquisition of certain property from the State by the Trustee and (ii) pay the costs of issuance. The net proceeds received by the Trustee were immediately transferred from the Proceeds Fund to the State's General Fund to pay appropriated expenditures of the State during fiscal year 2010.

On June 29, 2010, the State of Arizona, acting through the Director of the Department of Administration, issued COPs Series 2010B for \$289.705 million. The 2010B COPs include \$289.705 million of serial certificates with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2013 to 2030. The 2010B certificates maturing on or after October 1, 2020 are subject to optional redemption, prior to maturity, without premium. The 2010B certificates maturing on or after October 1, 2017 are subject to mandatory redemption pursuant to the COP documents. The State realized net proceeds of \$300.000 million after receipt of \$13.335 million net original issue premium and payment of \$3.040 million of issuance costs, including underwriters' discount. The 2010B COPs were issued to: (i) finance the acquisition of certain property from the State by the Trustee and (ii) pay the costs of issuance. The net proceeds received by the Trustee were immediately transferred from the Proceeds Fund to the State's General Fund to pay appropriated expenditures of the State.

2. School Facilities Board

In prior fiscal years, the SFB refinanced various COPs through advance-refunding arrangements. Under the terms of the refundings, sufficient assets to pay all principal, redemption premiums, if any, and interest on the refunded COPs have been placed in irrevocable trust accounts at commercial banks and invested in U.S. securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased COPs are not reflected in the accompanying financial statements. Refunded COPs for the SFB at June 30, 2010 totaled \$311.130 million.

Business-Type Activities

3. Universities

a. University of Arizona

The U of A utilizes COPs and various capital leases to acquire buildings, equipment, and land. The COPs are generally callable, and the capital leases are subject to prepayment.

In fiscal year 2003, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001B. At June 30, 2010, the outstanding principal balance for the COPs Series 2001B was \$1.980 million, which will be paid by investments held in an irrevocable trust with a fair market value of \$2.121 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

In fiscal year 2005, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001A. At June 30, 2010, the total outstanding principal balance for the COPs Series 2001A was \$8.730 million, which will be paid by investments held in an irrevocable trust with a fair value of \$8.832 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

In fiscal year 2007, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001A, 2001B, and 2002A. At June 30, 2010, the total outstanding principal balance for the COPs Series 2001A, 2001B, and 2002A was \$59.195 million, which will be paid by investments held in an irrevocable trust with a fair value of \$59.930 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

b. Arizona State University

At June 30, 2010, the ASU has issued fixed rate COPs. The ASU's non-bonded debt consists of various issues of COPs that are generally callable at a prescribed date with interest payable semi-annually. Certain COPs of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased COPs are not included in the accompanying financial statements. The principal amount of all such COPs outstanding at June 30, 2010 was \$65.400 million.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2010 totaled \$7.300 million.

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A summary of the COPs issued as of June 30, 2010 is as follows (expressed in thousands):

| Project | Issue Date | Final Maturity Date | Original Amount Issued | Outstanding Balance | Interest Rates |
|--------------------------------------------------------------------|------------|---------------------|----------------------------|----------------------------|----------------|
| Governmental Activities: | | | | | |
| Department of Administration: | | | | | |
| Refunding Certificates of 92A, 92C, & 1091 | 2001 | 2012 | \$ 57,930 | \$ 7,050 | 4.25 ~ 5.25 |
| Health Lab/HRIS 2002A | 2002 | 2023 | 63,270 | 35,800 | 4.25 ~ 5.50 |
| Refunding Certificates of 92B | 2003 | 2011 | 75,295 | 25,265 | 3.80 ~ 5.50 |
| Refunding Certificates of 93B | 2004 | 2012 | 16,725 | 4,530 | 3.75 ~ 5.00 |
| 1000 Bed Prison 2004B | 2004 | 2019 | 31,965 | 22,865 | 4.00 ~ 5.25 |
| 4000 Bed Prison, Wastewater Upgrades, Forensic Unit 2008A | 2008 | 2028 | 238,990 | 230,030 | 3.25 ~ 5.00 |
| General Fund Budget Reconciliation 2010A | 2010 | 2030 | 709,090 | 709,090 | 2.00 ~ 5.25 |
| General Fund Budget Reconciliation 2010B | 2010 | 2030 | 289,705 | 289,705 | 2.00 ~ 5.00 |
| School Facilities Board: | | | | | |
| New School Construction 2003A | 2003 | 2014 | 372,730 | 107,980 | 3.50 ~ 5.00 |
| New School Construction 2003B | 2004 | 2015 | 194,610 | 69,550 | 3.70 ~ 5.25 |
| New School Construction 2004A | 2004 | 2019 | 47,160 | 32,795 | 2.75 ~ 5.00 |
| New School Construction 2004B | 2005 | 2017 | 190,040 | 91,415 | 4.25 ~ 5.25 |
| New School Construction 2004C | 2005 | 2020 | 47,585 | 37,460 | 4.75 ~ 5.00 |
| Refunding Certificates of 2003A | 2005 | 2018 | 201,125 | 198,050 | 3.00 ~ 5.00 |
| Refunding Certificates of 2003B | 2005 | 2019 | 80,055 | 77,150 | 3.00 ~ 5.00 |
| Refunding Certificates of 2004B | 2005 | 2020 | 53,045 | 52,355 | 3.00 ~ 5.00 |
| New School Construction 2008 | 2009 | 2024 | 580,035 | 580,035 | 4.00 ~ 5.75 |
| Total Governmental Activities | | | <u>\$ 3,249,355</u> | <u>\$ 2,571,125</u> | |
| Business-Type Activities: | | | | | |
| Arizona State University: | | | | | |
| Towers Project | 1991 | 2011 | \$ 4,500 | \$ 415 | 6.89 |
| Downtown Center ~ 1999A | 1999 | 2025 | 5,620 | 4,265 | 5.78 |
| Downtown Center ~ 1999B | 1999 | 2025 | 5,165 | 4,170 | 8.02 |
| 2002 Certificates of Participation | 2002 | 2027 | 103,800 | 18,185 | 4.76 |
| 2004 West Campus ~ Refunding | 2004 | 2010 | 22,495 | - | 2.36 |
| 2004 Certificates of Participation | 2005 | 2031 | 80,275 | 74,350 | 4.89 |
| 2005A Certificates of Participation | 2005 | 2031 | 110,115 | 101,550 | 4.36 |
| 2006 Certificates of Participation | 2006 | 2031 | 15,810 | 14,450 | 4.52 |
| 2006 Refunding Certificates of Participation | 2007 | 2027 | 65,890 | 64,580 | 4.15 |
| University of Arizona: | | | | | |
| Fixed Student Union A | 1999 | 2020 | 21,607 | 4,364 | 5.13 ~ 5.30 |
| Park Std. Union/Learning Svcs/6th St Garage/TEP Bldg. | 2001 | 2012 | 31,695 | 1,990 | 4.30 ~ 4.45 |
| Gittings Bldg/Highland Infra/Life Sci. | 2001 | 2014 | 21,425 | 2,185 | 4.75 ~ 5.00 |
| Student Housing, Health Bldg., UA North | 2002 | 2022 | 76,965 | 11,640 | 4.38 ~ 5.50 |
| Meinel Bldg & Refund COPS 1994B | 2002 | 2023 | 29,845 | 26,640 | 4.75 ~ 5.13 |
| Refund COPS 1997 & Portion of Series 2001B | 2003 | 2022 | 10,615 | 10,615 | 3.50 ~ 5.00 |
| Med. Research. Bldg./Biomed Sci.&Biotech/Tech. Infra. | 2004 | 2031 | 153,960 | 138,340 | 3.77 ~ 5.25 |
| Chem.Bldg./Res.Life/Highland Pkg.Garage/Rfnd. COPS 1994A | 2004 | 2029 | 42,020 | 30,510 | 4.50 ~ 5.25 |
| Refund COPS 1999A | 2005 | 2024 | 12,660 | 12,660 | 4.00 ~ 5.00 |
| Refund COPS 1999 | 2005 | 2024 | 14,825 | 14,825 | 5.00 |
| Refund COPS 2001A | 2005 | 2022 | 16,330 | 16,330 | 4.13 ~ 5.00 |
| Refund COPS 1999, 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A | 2006 | 2025 | 29,460 | 26,565 | 3.63 ~ 5.00 |
| Refund COPS 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A | 2006 | 2025 | 58,650 | 57,120 | 3.75 ~ 5.00 |
| Biomed Research Collaborative Bldg. Project | 2006 | 2031 | 18,240 | 16,825 | 4.00 ~ 5.00 |
| Refund COPS 2001A, 2001B, 2002A, 2004B | 2007 | 2031 | 105,080 | 104,830 | 3.50 ~ 4.50 |
| Northern Arizona University: | | | | | |
| 2004 Certificates of Participation | 2005 | 2031 | 37,585 | 34,740 | 4.85 |
| 2005 Certificates of Participation | 2006 | 2031 | 40,255 | 37,095 | 4.65 |
| 2006 Certificates of Participation | 2006 | 2031 | 12,445 | 11,480 | 4.35 |
| Total Business-Type Activities | | | <u>\$ 1,147,332</u> | <u>\$ 840,719</u> | |
| Total Certificates of Participation | | | <u><u>\$ 4,396,687</u></u> | <u><u>\$ 3,411,844</u></u> | |

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Principal and interest debt service requirements on COPs outstanding at June 30, 2010 are as follows (expressed in thousands):

| Fiscal Year | Annual Debt Service | | | | | |
|----------------|-------------------------|-------------------|-----------------------------|--------------------------|-------------------|-----------------------------|
| | Governmental Activities | | | Business-type Activities | | |
| | Total Principal | Total Interest | Total Amount Required | Total Principal | Total Interest | Total Amount Required |
| 2011 | \$ 109,980 | \$ 128,358 | \$ 238,338 | \$ 28,605 | \$ 39,187 | \$ 67,792 |
| 2012 | 115,430 | 119,865 | 235,295 | 34,802 | 38,433 | 73,235 |
| 2013 | 156,705 | 113,455 | 270,160 | 36,506 | 36,959 | 73,465 |
| 2014 | 164,250 | 105,697 | 269,947 | 38,303 | 35,190 | 73,493 |
| 2015 | 172,290 | 97,451 | 269,741 | 38,314 | 33,914 | 72,228 |
| 2016-2020 | 858,630 | 352,923 | 1,211,553 | 244,614 | 132,242 | 376,856 |
| 2021-2025 | 577,525 | 176,110 | 753,635 | 225,125 | 73,396 | 298,521 |
| 2026-2030 | 416,315 | 52,327 | 468,642 | 160,690 | 27,241 | 187,931 |
| 2031-2035 | - | - | - | 33,760 | 839 | 34,599 |
| Total | \$ 2,571,125 | \$ 1,146,186 | \$ 3,717,311 | \$ 840,719 | \$ 417,401 | \$ 1,258,120 |

D. LEASES

1. Leases

The State has entered into capital lease agreements for the acquisition of buildings, telephone systems, copy machines, and other equipment. Capital lease assets and liabilities are reported on the government-wide Statement of Net Assets. A lease is reported as a capital lease if one or more of the following criteria are met:

- ζ Title to or ownership of the asset is transferred to the State at the end of the lease.
- ζ The lease contains a bargain purchase option.
- ζ The lease term is equal to 75.00% or more of the useful life of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)
- ζ The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90.00% of the fair market value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)

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The future minimum lease payments for long-term capital leases as of June 30, 2010 are summarized below (expressed in thousands):

| Fiscal Year | Annual Debt Service | |
|---------------------------------------------|----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities |
| 2011 | \$ 45,955 | \$ 12,754 |
| 2012 | 45,648 | 13,107 |
| 2013 | 44,632 | 13,040 |
| 2014 | 44,941 | 12,551 |
| 2015 | 45,277 | 12,269 |
| 2016-2020 | 229,752 | 59,710 |
| 2021-2025 | 254,929 | 60,813 |
| 2026-2030 | 47,475 | 62,423 |
| 2031-2035 | 4,172 | 49,218 |
| 2036-2039 | - | 6,035 |
| Total minimum lease payments | 762,781 | 301,920 |
| Less: amount representing interest | (266,237) | (130,472) |
| Less: amount representing executory costs | (83,625) | - |
| Present Value of Net Minimum Lease Payments | \$ 412,919 | \$ 171,448 |

2. Capital Assets Financed through Capital Leases

The following table summarizes the historical costs of assets acquired under capital leases (expressed in thousands):

| | Governmental Activities | Business-type Activities |
|--------------------------------|----------------------------|-----------------------------|
| Land | \$ 435 | \$ 1,763 |
| Buildings | 387,728 | 192,778 |
| Infrastructure | - | 39 |
| Software | 1,745 | - |
| Equipment | 9,560 | 1,834 |
| | 399,468 | 196,414 |
| Less: accumulated depreciation | (36,105) | (25,521) |
| Carrying Value | \$ 363,363 | \$ 170,893 |

E. COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. The compensated absence liability attributable to governmental activities will be liquidated primarily by the General Fund. During fiscal year 2010, the State paid for compensated absences as follows: 81.29% from the General Fund, 12.14% from other funds, and 6.57% from other major funds.

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F. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in Long-term Obligations (expressed in thousands):

| | Balance July 1, 2009 | Increases | Decreases | Balance June 30, 2010 | Due Within One Year | Due Thereafter |
|-----------------------------------|-------------------------|--------------|--------------|--------------------------|------------------------|-------------------|
| Governmental Activities: | | | | | | |
| Long-term Debt: | | | | | | |
| Revenue bonds | \$ 3,251,580 | \$ 425,420 | \$ (154,395) | \$ 3,522,605 | \$ 162,520 | \$ 3,360,085 |
| Grant anticipation notes | 329,650 | - | (25,170) | 304,480 | 70,570 | 233,910 |
| Certificates of participation | 1,649,870 | 998,795 | (77,540) | 2,571,125 | 109,980 | 2,461,145 |
| Capital leases | 236,125 | 187,836 | (11,042) | 412,919 | 16,004 | 396,915 |
| Installment purchase contracts | 6,343 | - | (5,442) | 901 | 656 | 245 |
| Notes payable | 42,668 | 32,628 | (14,584) | 60,712 | 13,983 | 46,729 |
| Premiums and discounts on debt | 285,613 | 77,709 | (28,601) | 334,721 | 30,979 | 303,742 |
| Deferred amounts on refundings | (9,171) | - | 3,974 | (5,197) | (3,976) | (1,221) |
| Total Long-term Debt | 5,792,678 | 1,722,388 | (312,800) | 7,202,266 | 400,716 | 6,801,550 |
| Other Long-term Liabilities: | | | | | | |
| Compensated absences | 280,413 | 220,635 | (225,513) | 275,535 | 169,869 | 105,666 |
| Pollution remediation obligations | 22,813 | - | (1,623) | 21,190 | 1,015 | 20,175 |
| Total Other Long-term Liabilities | 303,226 | 220,635 | (227,136) | 296,725 | 170,884 | 125,841 |
| Total Long-term Obligations | \$ 6,095,904 | \$ 1,943,023 | \$ (539,936) | \$ 7,498,991 | \$ 571,600 | \$ 6,927,391 |
| Business-type Activities: | | | | | | |
| Long-term Debt: | | | | | | |
| Revenue bonds | \$ 1,239,675 | \$ 505,110 | \$ (51,960) | \$ 1,692,825 | \$ 58,505 | \$ 1,634,320 |
| Certificates of participation | 872,829 | 205 | (32,315) | 840,719 | 28,605 | 812,114 |
| Capital leases | 175,453 | 12,043 | (16,048) | 171,448 | 4,515 | 166,933 |
| Installment purchase contracts | 16,418 | 1,471 | (4,846) | 13,043 | 3,655 | 9,388 |
| Notes payable | 674 | - | (314) | 360 | 68 | 292 |
| Premiums and discounts on debt | 43,112 | 1,047 | (4,454) | 39,705 | 1,922 | 37,783 |
| Deferred amounts on refundings | (25,294) | - | 2,194 | (23,100) | (1,630) | (21,470) |
| Total Long-term Debt | 2,322,867 | 519,876 | (107,743) | 2,735,000 | 95,640 | 2,639,360 |
| Other Long-term Liabilities: | | | | | | |
| Compensated absences | 70,269 | 80,384 | (80,691) | 69,962 | 15,472 | 54,490 |
| Total Other Long-term Liabilities | 70,269 | 80,384 | (80,691) | 69,962 | 15,472 | 54,490 |
| Total Long-term Obligations | \$ 2,393,136 | \$ 600,260 | \$ (188,434) | \$ 2,804,962 | \$ 111,112 | \$ 2,693,850 |

The above long-term obligations relating to governmental activities include internal service funds. Amounts for compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets because \$112.437 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net assets.

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NOTE 8. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2010 are as follows (expressed in thousands):

| Due From | Due To | | | | | |
|-----------------------------------------------------------------------|--------------|------------------------------|-------------------|----------------------------|------------------------|--------------|
| | General Fund | Non-Major Governmental Funds | Universities Fund | Non-Major Enterprise Funds | Internal Service Funds | Total Due To |
| General Fund | \$ - | \$ 10,370 | \$ 200,000 | \$ 10 | \$ 1,615 | \$ 211,995 |
| Transportation & Aviation Planning, Highway Maintenance & Safety Fund | 4,226 | 3,617 | - | 94 | - | 7,937 |
| Land Endowments Fund | 498 | - | - | - | 1,157 | 1,655 |
| Non-Major Governmental Funds | 13,609 | 2,050 | - | - | 335 | 15,994 |
| Unemployment Compensation Fund | 11 | 212 | - | - | - | 223 |
| Lottery Fund | 14,243 | 2,828 | - | - | - | 17,071 |
| Non-Major Enterprise Funds | - | - | - | - | 1 | 1 |
| Internal Service Funds | 1,196 | 174 | - | - | 7 | 1,377 |
| Total Due From | \$ 33,783 | \$ 19,251 | \$ 200,000 | \$ 104 | \$ 3,115 | \$ 256,253 |

Interfund balances represent (1) amounts due to and from the internal service funds for goods and services rendered, and (2) cash transferred between funds for various interfund activities subsequent to the balance sheet date. The cash is recorded in the fund which initiated the transfer, and a corresponding liability is recorded. The receiving fund records an interfund receivable.

Interfund Transfers

Transfers for the year ended June 30, 2010 are as follows (expressed in thousands):

| Transferred From | Transferred To | | | | | | | |
|-----------------------------------------------------------------------|----------------|-----------------------------------------------------------------------|----------------------|------------------------------|-------------------|------------------------------------|----------------------------|---------------------|
| | General Fund | Transportation & Aviation Planning, Highway Maintenance & Safety Fund | Land Endowments Fund | Non-Major Governmental Funds | Universities Fund | Industrial Commission Special Fund | Non-Major Enterprise Funds | Total Transfers Out |
| General Fund | \$ - | \$ 661 | \$ 28 | \$ 90,669 | \$ 946,035 | \$ - | \$ - | \$ 1,037,393 |
| Transportation & Aviation Planning, Highway Maintenance & Safety Fund | 188,567 | - | - | 307,541 | - | - | - | 501,646 |
| Land Endowments Fund | 14 | - | - | 24,740 | - | - | - | 24,754 |
| Non-Major Governmental Funds | 274,752 | 218 | - | 31,368 | - | 2,000 | 81 | 308,419 |
| Unemployment Compensation Fund | 3,847 | - | - | 1,817 | - | - | - | 5,664 |
| Lottery Fund | 92,856 | - | - | 26,924 | - | - | - | 119,780 |
| Non-Major Enterprise Funds | 12,808 | - | - | - | - | - | - | 12,808 |
| Internal Service Funds | 48,410 | 1,000 | - | 30 | - | - | - | 49,940 |
| Total Transfers In | \$ 621,254 | \$ 1,879 | \$ 28 | \$ 483,089 | \$ 946,035 | \$ 2,000 | \$ 81 | \$ 2,060,404 |

Interfund transfers represent legally authorized non-exchange transfers of funds. These transfers include: (1) legislative appropriations from the General Fund, (2) other legislative transfers, (3) statutorily required transfers, (4) transfers related to the elimination of funds, and (5) transfers for debt service.

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NOTE 9. FUND DEFICIT

A. GENERAL FUND

The General Fund deficit of \$754.731 million is primarily due to the ongoing economic downturn. Continued slow economic growth resulted in revenues falling short of budgeted levels. For fiscal year 2010, expenditures were \$21.9 billion, while revenues were \$21.0 billion. Sales tax and income tax revenues continued to be significantly impacted by economic conditions but did not experience the decline of previous years. Reported sales tax and income tax decreased by \$298.994 million, or 6.40%, and \$332.376 million, or 10.59%, as compared to fiscal year 2009, respectively.

B. INDUSTRIAL COMMISSION SPECIAL FUND

The fund deficit increased from \$45.861 million at June 30, 2009 to \$53.292 million at June 30, 2010, a total increase of \$7.431 million, primarily due to the following factors. During the fiscal year, total investments increased \$42.602 million due to the economic recovery. This increase was offset by an increase in the actuarially determined insurance loss reserve of \$36.764 million over the prior year, a decrease in no insurance settlement income of \$8.287 million, and a decrease of \$4.000 million in the Commission's Administrative Fund (Administrative Fund) transfers.

In 2005, ARS § 23-1081(B) was amended to permit a surplus in the Administrative Fund to be transferred to the Special Fund when the Special Fund is not actuarially sound. During fiscal year 2009, \$6.000 million was transferred from the Administrative Fund to the Special Fund. During fiscal year 2010, \$2.000 million was transferred, resulting in a \$4.000 million decrease.

C. HEALTHCARE GROUP OF ARIZONA

In fiscal year 2010, the Healthcare Group of Arizona (HCG) reported operating income of \$1.968 million and an increase in net assets of \$1.779 million. This continues a positive turn-around trend that began in fiscal year 2008 when the HCG began successfully managing both program and administrative costs through a series of cuts, changes, realignments, and premium adjustments to match revenues with expenses. Fiscal year 2010 is the first year since fiscal year 1998 that the HCG has reported income from operations without receiving General Fund subsidies to offset current or prior year losses. Additionally, the HCG made a cash transfer to the General Fund in the amount of \$365 thousand mandated by Laws 2009, Chapter 11. Overall fiscal year 2010 operating results decreased the HCG's net deficit to \$9.010 million at June 30, 2010 as compared to the \$10.789 million net deficit balance at June 30, 2009.

Prior to fiscal year 2008, the HCG was unable to cover its costs due to net medical losses (medical costs exceeded premiums received). Since ending fiscal year 2007 with a liability of \$22.509 million, the HCG has reduced this balance by \$10.127 million using cash generated from operations, General Fund subsidies, reinsurance and other adjustments.

The following table summarizes the HCG's reconciliation liability activity for fiscal year 2010:

| | <u>Reconciliation Period</u> | | | |
|--------------------------|------------------------------|----------|-------|-----------|
| | FY 07 | FY 08 | FY 09 | Total |
| Balance June 30, 2009 | \$ 9,583 | \$ 3,822 | \$ - | \$ 13,405 |
| Payments made | (680) | (65) | - | (745) |
| Accruals and adjustments | (220) | (58) | - | (278) |
| Balance June 30, 2010 | \$ 8,683 | \$ 3,699 | \$ - | \$ 12,382 |

The remaining reconciliation liability will be paid by allocating 2.00% of medical premium revenues for a reconciliation reserve, from residual earnings, and from any subsidies provided by the State Legislature.

There can be no assurance that operating improvements realized over the past three fiscal years will continue to occur or will provide sufficient cash to fund operating expenses. Additionally, if there is an unexpected and adverse change in enrollment and premium increases are not sufficient to fund the reserves for past losses, then the HCG will be required to further scale back administrative expenditures to a level supported by actual enrollment. Should the HCG be required to accelerate payments for prior year reconciliation liabilities before it has sufficient funds to provide such payments and new terms are not negotiated, or the

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Legislature does not provide the HCG with additional subsidies, it raises substantial doubt about the HCG's ability to continue as a going concern.

In conclusion, even though the HCG has posted operating income for the last three fiscal years and management currently projects that the positive trend will continue, \$9.010 million remained as a net deficit at June 30, 2010 due to the outstanding reconciliation liability owed to the HMOs for prior fiscal years. It is not anticipated that operations will generate sufficient cash flow in the near future to entirely pay off the remaining deficit.

The HCG plans to continue operations and to continue to pay down the outstanding liability. Accordingly, the accompanying financial statements have been prepared assuming that the HCG will continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the HCG be unable to continue as a going concern.

D. ARIZONA HIGHWAYS MAGAZINE

The Arizona Highways Magazine had a fund deficit of \$574 thousand which resulted from legislatively mandated cash transfers to the General Fund totaling \$1.084 million in fiscal year 2010, and \$1.483 million in fiscal year 2009. These transfers were mandated by House Bill 2643 section 44, House Bill 2001 section 148A, and Senate Bill 1001 section 2, effective for fiscal year 2010. The fiscal year 2009 transfers were mandated by House Bill 2209, section 46, and Senate Bill 1001, sections 4, 5, and 7.

E. RISK MANAGEMENT FUND

The Risk Management Fund (RMF) deficit of \$322.094 million is primarily due to the RMF receiving annual funding only for expected paid claims (self-insured and excess insurance expenditures, legal and other claim related expenditures, and administrative expenditures), and not being funded for non-current accrued insurance losses. Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.

F. RETIREE SICK LEAVE FUND (RASL)

The RASL pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16 - Accounting for Compensated Absences to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The \$105.322 million fund deficit is primarily due to the above funding mechanism.

| |
|-------------------------------|
| NOTE 10. JOINT VENTURE |
|-------------------------------|

The U of A is a participant in the Large Binocular Telescope Corporation (LBT). The LBT was formally incorporated as a nonprofit corporation in August 1992 pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the U of A and the Arcetri Astrophysical Observatory in Florence, Italy (Arcetri). The purpose of the joint venture is to design, develop, construct, own, operate, and maintain a binocular telescope located in Arizona. The current members of the LBT are the U of A, INAF Astrophysical Observatory, Research Corporation, Ohio State University, and the LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25.00% of the LBT's construction costs and annual operating costs. As of June 30, 2010, the U of A has made cash contributions of \$18.159 million toward the project's construction costs, which were recorded as long-term investments on the Statement of Net Assets. The U of A's financial interest represents its future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes; thus, depreciation of the property and equipment has commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, \$750 thousand in calendar year 2009, as a reduction in its investment. At June 30, 2010, the investment totaled \$16.007 million. According to the audited financial statements of the LBT for the year ended December 31, 2009, assets, liabilities, revenues, and expenses totaled \$129.000 million, \$4.000 million, \$14.000 million, and \$11.000 million, respectively.

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The LBT's separate audited financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, P.O. Box 3310, Tucson, AZ 85722-3310.

| |
|------------------------------------------------------------|
| NOTE 11. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE |
|------------------------------------------------------------|

A. INSURANCE LOSSES

The Department of Administration - Risk Management Division manages the State's property, environmental, general liability, and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Division. Consequently, all agencies are required to participate in this program. The State's Risk Management Division evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Commission's Special Fund provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration - Risk Management Division, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Special Fund encompass claims against uninsured or underinsured employers and insolvent insurance carriers and would include payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments, and compensation for loss of earnings associated with the disability.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the State's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, loss development factors, and an estimate for incurred but not reported claims. There were no non-incremental claims adjustment expenses included in the liability for claims and adjustments.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund (internal service fund) and the Special Fund (enterprise fund). As discussed in the above paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Division will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Investment earnings (including interest, dividends, and securities lending income) and assessments on gross premium revenues primarily fund the Special Fund. To provide funding for workers' compensation claims, the Special Fund may direct payment to the State Treasurer an amount not to exceed one and one-half percent of all premiums received by the State Compensation Fund, private carriers, and self-insured plans during the immediately preceding calendar year. Beginning in calendar year 2004, this 1.50% assessment was levied under ARS §23-1065(A) because of a deficit net assets balance.

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2010. The estimated loss reserve of \$415.284 million is \$36.764 million greater than the \$378.520 million reserve estimate at June 30, 2009. The primary reason for this change was a change in actuarial assumptions by AMI Risk Consultants, Inc. In prior years, a confidence level of 50.00% was used in calculating medical and compensation related liabilities. However, current industry standard is 75.00% and this method was adopted for June 30, 2010. In future years, the current industry standard will be applied when calculating medical and compensation related liabilities. A confidence level of 75.00% indicates a confidence that the estimated liability will be adequate to cover actual costs 7.5 out of 10 years. The reserves were discounted at an assumed rate of 2.89% for the compensation claims and zero percent for the medical claims. For medical benefits, it was assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The Special Fund levied the following assessment taxes for calendar year 2010: 1.50% assessment under ARS §23-1065(A), .50% assessment under ARS §23-966(D) based on insolvent carrier losses, and .50% assessment under ARS §23-1065(F), based on the total apportionment liability. The ARS §23-966(D) and ARS §23-1065(F) assessments were not levied during calendar year 2009. The Special Fund has filed pending proof of claim requests with ancillary receivers and liquidators holding deposits and surety bonds of several insolvent companies. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier deposits ('settlement income') as revenue at the time received rather than recording a receivable.

Occasionally, the Risk Management Division agrees with claimants to purchase an annuity contract to settle specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State requires the claimant to sign an agreement releasing the State from any further obligation. As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

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There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2009 and June 30, 2010 (expressed in thousands):

| Fiscal Year | Beginning Balance | Current Year Claims and Changes in Estimates | Claims Payments | Ending Balance |
|-------------------------------------|----------------------|-------------------------------------------------------|--------------------|-------------------|
| Risk Management Fund: | | | | |
| 2009 | \$ 363,927 | \$ 61,179 | \$ 65,293 | \$ 359,813 |
| 2010 | 359,813 | 70,637 | 56,733 | 373,717 |
| Industrial Commission Special Fund: | | | | |
| 2009 | 382,138 | 24,467 | 28,085 | 378,520 |
| 2010 | 378,520 | 63,284 | 26,520 | 415,284 |

B. LITIGATION

In Roosevelt Elementary School District No. 66 vs. State of Arizona and Somerton Elementary School District No. 11 vs. State of Arizona, plaintiffs were seeking a declaration that Arizona's funding of the Building Renewal Fund for school district capital resources under ARS §15-2031 is unconstitutional. The actions were originally commenced in 1999 and 2002, but they were remanded by the Arizona Court of Appeals after its decision in Roosevelt Elem. Sch. Dist. v. State of Arizona, 205 Ariz. 594, 74 P.3d 258 (App. 2003). On remand, plaintiffs substituted some parties, leaving the plaintiff school districts as Globe Unified School District, Williams Unified School District, and Sierra Vista Unified School District, and discovery recommenced. In October, 2006, the court granted the State summary judgment, finding that the named school districts had failed to seek emergency funding under ARS §15-2022. The court indicated that if the districts proved subsequently that they had sought emergency funding and been rejected, and had exhausted all sources of State funding available to them for their facility needs, they might reinstate their claims. Plaintiff Globe Unified School District is no longer a party. The court later agreed to stay the judgment against plaintiffs through June 1, 2007, and plaintiffs successfully sought even further continuance on the inactive calendar. The plaintiffs moved to add a new plaintiff district, Tempe Union High School District, and to transfer the case to the active calendar and set it for trial. The State objected, and sought dismissal of the cases. The motions were argued in September, 2008, and the court issued an order requiring a further evidentiary hearing on the status of the plaintiff districts' alleged capital needs and financial resources for late February, 2009. In the meantime, plaintiff, Williams Unified School District decided not to continue as a plaintiff in the case. The evidentiary hearing commenced in February, 2009, was continued for another afternoon of hearing in March, 2009, and had a final day of hearing on June 30, 2009. The Superior Court ultimately ruled in favor of the State and dismissed the pending claims. However, the Court further ordered that "[s]hould Plaintiffs in the future establish that they have exhausted all appropriate sources of State funding and yet have been denied emergency funds, their claims may be reinstated, and that the case be placed on the inactive calendar for dismissal without further notice on December 20, 2010. This resulted in the Plaintiff Tempe District seeking to continue its claims on the inactive calendar for an additional six months because it has pending requests for emergency funding that have not yet been determined by the State School Facilities Board.

In Rumery v. Martin, the plaintiff has filed a special action challenging the constitutionality of a state law that would allow administrative expenses of the Land Department to be paid from proceeds of the trust. The legislation allows \$10.000 million of trust proceeds from sale transactions to be transferred into a trust land management account for payment of administrative expenses. The Superior Court ruled against the State on summary judgment. The State received a stay and intends to appeal the decision. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State would have to transfer to the Land Endowments Fund between \$11.546 million to \$18.020 million.

The State has a variety of claims pending against it that arose during the normal course of its activities. Management believes, based on advice of legal counsel, losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the State. All losses for any unsettled litigation or contingencies involving workers' compensation, medical malpractice, construction and design, highway operations, employment practices, criminal justice, fidelity and surety, environmental property damage, general liability, environmental liability, building and contracts, auto liability, or auto physical damage are determined on an actuarial basis and included in the Accrued Insurance Losses of the internal service funds and the Industrial Commission Special Fund.

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C. ACCUMULATED SICK LEAVE

Sick leave includes any approved period of paid absence granted an employee due to illness, injury, or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of at least 500 hours, with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25.00% for 500 hours to a maximum of 50.00% for 1,500 hours. The maximum benefit value is \$30 thousand. The benefit is paid out in annual installments over three years. The RASL Fund is accounted for in the financial statements as an internal service fund and accounts for the retiree accumulated sick leave liability of \$110.861 million at June 30, 2010.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed agency fund. A total of approximately \$789.744 million (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$45.806 million and mutual funds valued at \$5.398 million. In accordance with ARS §44-313 and ARS §44-314, for fiscal year 2010, \$24.500 million was deposited in the Department of Revenue Administrative Fund, \$10.500 million was deposited in the Department of Commerce Housing Fund, \$101.669 million was deposited in the General Fund, and \$986 thousand was deposited in other funds as required by State statute. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. At June 30, 2010, \$183.183 million of this liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona.

E. CONSTRUCTION COMMITMENTS

The ADOT had outstanding commitments under construction contracts of \$872.259 million at June 30, 2010.

| | (in thousands) | |
|-------------------------|-------------------------|--------------------------|
| | Expenditures to Date | Remaining Commitments |
| Construction contracts: | | |
| Rural roadways | \$ 342,338 | \$ 151,459 |
| Small urban roadways | 205,522 | 69,585 |
| Urban roadways | 78,926 | 60,169 |
| Large urban roadways | 491,815 | 160,957 |
| Sub-total | 1,118,601 | 442,170 |
| Design contracts | 743,505 | 72,657 |
| Other commitments | 554,898 | 357,432 |
| Total | <u>\$ 2,417,004</u> | <u>\$ 872,259</u> |

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over \$400 thousand for which winners will receive the jackpot in annual installments for The Pick online game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, Standard & Poor's, Moody's, Duff & Phelps, or Weiss. The Lottery may incur future liabilities on these annuities. Aggregate future payments to prize winners on existing annuities totaled \$65.802 million at June 30, 2010. Approximately \$42.528 million of the total aggregate future payments at June 30, 2010 relate to annuities purchased from five separate insurance companies, of which approximately \$11.732 million relates to a single insurance company.

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NOTE 12. TOBACCO SETTLEMENT

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State recorded tobacco settlement revenue of \$105.394 million and \$100.360 million in the fund statements and the government-wide statements in fiscal year 2010, respectively. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a volume adjustment, which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable and there is no obligation for the tobacco companies to make settlement payments until cigarettes are shipped, the State did not record a receivable for the future payments related to cigarette sales after June 30, 2010.

NOTE 13. PUBLIC-PRIVATE PARTNERSHIP

The State of Arizona has entered into a partnership agreement with Accenture. The purpose of this partnership is to fund the Department of Revenue's technology needs. The agreement stipulates that Accenture will be paid 85.00% of the new revenue generated from the system enhancements, even if this amount is insufficient to cover the total contract cost. Accordingly, Accenture had created a system that increases the State's efficiency in collecting tax revenues. As of June 30, 2010, the State has paid Accenture \$153.137 million towards the \$160.936 million contract cost. Included in the \$160.936 million contract cost is capitalized interest charges of \$7.000 million and application support charges of \$54.610 million.

NOTE 14. TREASURER'S WARRANT NOTES

Pursuant to ARS §35-185.01 and §35-185.02, the State Treasurer issued Treasurer's Warrant Notes (TWNs) during the current fiscal year. The TWNs were issued in lieu of immediate payment of warrants presented to the State Treasurer for authorized General Fund expenditures. The TWNs were sold to both the State's internal investment pools and a TWNs facility that established a line of credit up to a maximum of \$700.000 million with a financial institution for the purpose of purchasing TWNs. TWNs are issued only in the event the State Treasurer has insufficient funds to redeem warrants presented for payment of authorized expenditures of the State's General Fund. TWNs are issued daily depending on cash flow needs, and are redeemed the next business day. Each TWN issued is numbered consecutively, must be redeemed in numerical order, and can be issued in exchange for a previously issued TWN. Any time TWNs are outstanding, all monies which would normally be deposited into the State General Fund, except amounts sufficient to pay constitutional officers of the State, shall be deposited into the TWN Redemption Fund to redeem outstanding TWNs. TWNs activities for the year ended June 30, 2010 were as follows (expressed in thousands):

| Purchaser | Number Of Days TWNs Were Issued | Minimum TWNs Issued | Issue Date | Maximum TWNs Issued | Issue Date | Cumulative TWNs Total | Daily Average Of TWNs Issued |
|---------------------------|---------------------------------------|------------------------|------------|------------------------|------------|--------------------------|------------------------------------|
| Internal investment pools | 93 | \$ 7,044 | 9/18/2009 | \$ 537,061 | 11/23/2009 | \$ 19,676,420 | \$ 211,574 |
| TWNs facility | 132 | 16,889 | 6/9/2010 | 700,000 | 12/1/2009 | 74,971,935 | 567,969 |
| Combined activity | 208 | 7,044 | 9/18/2009 | 904,938 | 12/14/2009 | 94,648,355 | 455,040 |

There were no TWNs outstanding at July 1, 2009. The State's internal investment pools purchased TWNs during the period from July 15, 2009 to January 11, 2010, in daily amounts ranging from \$7.044 million to \$537.061 million. The TWNs facility purchased TWNs during the period from November 24, 2009 to June 11, 2010, in daily amounts ranging from \$16.889 million to \$700.000 million. For 17 days during the period from December 1, 2009 to January 11, 2010, TWNs were purchased by both the TWNs facility (maximum line of credit utilized) and the internal investment pools. The maximum combined TWNs outstanding during fiscal year 2010 were \$904.938 million. The combined daily average of TWNs outstanding during fiscal year 2010 was \$455.040 million. The cumulative total of daily TWNs issued during fiscal year 2010 was \$94.6 billion. The State paid \$3.886 million in interest and fees on the TWNs for fiscal year 2010. No TWNs were outstanding at June 30, 2010.

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NOTE 15. SUBSEQUENT EVENTS

On August 3, 2010, the SFB issued Refunding COPs Series 2010A-1, 2010A-2, and 2010A-3 for \$11.100 million, \$10.000 million and \$37.685 million, respectively. The 2010A-1 COPs include \$11.100 million of serial certificates with interest rates ranging from 3.00% to 3.50% and maturity dates ranging from 2019 to 2020. The 2010A-2 COPs include \$10.000 million of serial certificates with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2019 to 2020. The 2010A-3 COPs include \$37.685 million of serial certificates with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2019 to 2020. The 2010A-1, 2010A-2, and 2010A-3 COPs are not subject to redemption prior to their stated maturities. The SFB realized net proceeds from the 2010A-1, 2010A-2, and 2010A-3 COPs of \$61.415 million after receipt of \$3.415 million net original issue premium and payment of \$785 thousand for issuance costs. The SFB net proceeds were used to pay the September 1, 2010 principal amounts of \$52.815 million due on the COPs Series 2003B, 2004B, and 2008. In addition, net proceeds were used to pay \$8.600 million of the total September 1, 2010 scheduled interest payment of \$15.179 million on the Series 2008 COPs. The net proceeds were deposited in the respective certificate funds of the COPs Series 2003B, 2004B, and 2008 for payment of the September 1, 2010 amounts due.

In August 2010, the ASU issued \$33.800 million in SPEED bonds, which were also issued on a subordinate lien basis, Taxable Series 2010A and Tax-Exempt Series 2010B, to fund building renewal projects across the ASU's campuses. The Taxable Series 2010A bonds were issued as Build America Bonds for \$26.400 million with an average maturity of 15.4 years and an average interest rate of 3.87%, net of the federal direct payments. The Tax-Exempt Series 2010B bonds were issued for \$7.400 million with an average maturity of 7.5 years and an average interest rate of 2.90%. Up to 80% of the related debt service of these subordinate lien bonds will be paid from the Arizona State Lottery revenues, with the balance being the responsibility of the ASU.

On October 7, 2010 the SFB, through The Bank of New York Mellon Trust Company, NA, issued COPs Series 2010 for \$91.325 million. The 2010 COPs include \$91.325 million of term certificates with an interest rate of 6.00% and a maturity date of September 1, 2027. The 2010 COPs are subject to mandatory and optional prepayment pursuant to the COP documents. Sinking Fund deposits will be made as part of the base rent under the lease to provide funding for principal retirement at maturity. The State realized net proceeds of \$90.432 million after payment of \$893 thousand of issuance costs, including underwriters' discount. The 2010 COPs were issued to: (i) finance the costs of acquiring leasehold interests in school sites and certain school facilities, which will be subleased to various schools districts within the State, and (ii) pay the costs of issuance.

On October 14, 2010, the ADOT issued \$180.000 million in Transportation Excise Tax Revenue Bonds (Maricopa County Regional Area Road Fund) 2010 Series to: (i) pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona and (ii) pay the costs of issuance. The 2010 Series Bonds were issued as senior lien bonds and mature from July 1, 2011 through July 1, 2025. Net proceeds totaled \$205.288 million (after receipt of \$26.424 million reoffering premium and payment of \$1.136 million in underwriting fees and costs of issuance). The bonds were rated AA+ and Aa1 by S&P and Moody's, respectively.

On January 12, 2011, the ADOT issued \$158.585 million in Grant Anticipation Notes Series 2011A (2011A GANs) to: (i) pay a portion of the costs of certain controlled-access highways, U.S. highways, and State routes within the State and (ii) pay the costs of issuance. The 2011A GANs are limited obligations of the ADOT, with maturity dates of July 1, 2016 through July 1, 2026, and interest rates ranging from 4.00% to 5.25%. The 2011A GANs maturing on or after July 1, 2021 are subject to optional redemption at the discretion of the ADOT. The 2011A GANs are rated AA, Aa2, and AA by Fitch Ratings, Moody's, and S&P, respectively.

In February 2011, the ASU issued \$51.200 million in System Revenue Bonds to fund the acquisition of the Centerpoint building (in downtown Tempe), renovation and expansion of Student Health Services, building renewal and academic renovations, lab and research space renovations, and safety improvements. The bonds were issued with an average maturity of 10.1 years and an average interest rate of 4.51%.

NOTE 16. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The accounting policies of the State's component units conform to U.S. GAAP applicable to governmental units adopted by the GASB, except for those component units affiliated with the State's Universities. Because the component units affiliated with the Universities are not governmental entities, they follow FASB statements for not-for-profit organizations for financial reporting

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purposes. Each component unit has a June 30 year-end with the exception of the Law College Association, which has a May 31 year-end.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus and Basis of Accounting

The State's component units and component units affiliated with the Universities are presented using the economic resources measurement focus and the accrual basis of accounting. The State's component units follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989, except for the UMC, which has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

2. Net Assets

Component units affiliated with the Universities classify net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the component units affiliated with the Universities and changes therein are classified and reported as follows:

- ⌚ Unrestricted net assets include assets and contributions that are not restricted by donors or for which such restrictions have expired.
- ⌚ Temporarily restricted net assets include contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundations), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted if the restrictions are satisfied in the same reporting period in which the contributions are received; however, the component units affiliated with the ASU, other than the ASU Foundation, classify such contributions as unrestricted.
- ⌚ Permanently restricted net assets include contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the board-approved payout be made available for program operations in accordance with donor restrictions.

3. Cash and Cash Equivalents

Cash and cash equivalents includes monies held in certificates of deposit, overnight money market accounts, and U.S. Government or U.S. Treasury money market funds with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value.

4. Investments

Investments are recorded in accordance with Statements of Financial Accounting Standards (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. Absolute return limited partnership interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager. Purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increases or decreases in net assets in the Statement of Activities.

5. Income Taxes

The Foundations qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes in the accompanying financial statements, except for the Collegiate Golf Foundation and

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the ACFFC. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. The ACFFC and NACFFC are exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

6. Annuities Payable and Other Trust Liabilities

Annuities payable and other trust liabilities for the U of A Foundation are stated at the actuarially computed present value of future payments to the annuitants, which approximates fair value. The excess of the fair values of assets received (classified according to their nature in the Statement of Financial Position) pursuant to annuity agreements over the actuarially computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received.

7. Contributions

Contributions are recorded in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

8. Net Assets Released from Restriction

Expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on these net assets are met, the net assets are reclassified to unrestricted net assets. The total net assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

9. Use of Estimates

The preparation of the Universities-affiliated component units' financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

1. Component Units

a. Deposits and Investment Policies

The investments of the WIFA are stated at fair value, except guaranteed investment contracts, which are stated at cost since they are non-participating contracts. The investments of the UMC are stated at fair value.

b. Custodial Credit Risk - Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from the outside party. The WIFA and the UMC do not have a formal policy regarding custodial credit risk for deposits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The WIFA and the UMC do not have a formal policy regarding custodial credit risk for investments. The investments of the UMC are uninsured, unregistered, and held by brokers in the UMC's name.

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c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the WIFA utilizing the segmented time distribution method as of June 30, 2010 (expressed in thousands):

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|----------------------------------------------------|------------|----------------------------------|--------|------------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Commercial paper | \$ 15,000 | \$ 15,000 | \$ - | \$ - | \$ - |
| Corporate asset backed securities | 2,640 | 2,640 | - | - | - |
| Corporate notes | 12,297 | 12,297 | - | - | - |
| Guaranteed investment contracts | 105,257 | - | - | 105,257 | - |
| Money market mutual funds | 4,703 | 4,703 | - | - | - |
| Repurchase agreements | 7,916 | 7,916 | - | - | - |
| U.S. agency securities | 21,581 | 21,581 | - | - | - |
| U.S. agency securities - full faith | 141 | - | 141 | - | - |
| U.S. agency mortgage backed securities | 606 | - | - | - | 606 |
| U.S. agency mortgage backed securities -full faith | 16 | - | - | - | 16 |
| U.S. Treasury securities | 4,613 | 4,613 | - | - | - |
| Total | \$ 174,770 | \$ 68,750 | \$ 141 | \$ 105,257 | \$ 622 |

The UMC's investment policy limits the portfolio duration related to debt securities to the Lehman Brothers Intermediate Government/Credit Index. This is an index based on all publicly issued intermediate government and corporate debt securities with average maturities of four to five years. The following table presents the estimated maturities of the UMC's investments, utilizing the segmented time distribution method as of June 30, 2010 (expressed in thousands):

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|---------------------------------|------------|----------------------------------|----------|------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Bond mutual funds | \$ 6,988 | \$ - | \$ 6,988 | \$ - | \$ - |
| Commercial paper | 15,617 | 15,617 | - | - | - |
| Guaranteed investment contracts | 8,615 | 4,372 | - | - | 4,243 |
| Money market mutual funds | 51,686 | 51,686 | - | - | - |
| U.S. Treasury securities | 8,442 | 8,442 | - | - | - |
| Total | \$ 91,348 | \$ 80,117 | \$ 6,988 | \$ - | \$ 4,243 |

d. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The WIFA does not have a formal policy regarding credit risk. The following table presents the WIFA's investments which were rated by S & P's and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2010 (expressed in thousands):

| Investment Type | Fair Value | AAA | AA | A | A1 | BB | Not Rated |
|----------------------------------------|------------|------------|----------|----------|-----------|--------|-----------|
| Commercial paper | \$ 15,000 | \$ - | \$ - | \$ - | \$ 15,000 | \$ - | \$ - |
| Corporate asset backed securities | 2,640 | 2,640 | - | - | - | - | - |
| Corporate notes | 10,311 | 156 | 2,924 | 6,610 | - | 621 | - |
| Guaranteed investment contracts | 105,257 | 105,257 | - | - | - | - | - |
| Money market mutual funds | 4,703 | - | - | - | - | - | 4,703 |
| U.S. agency securities | 21,581 | 16,990 | - | - | 4,591 | - | - |
| U.S. agency mortgage backed securities | 606 | 606 | - | - | - | - | - |
| Total | \$ 160,098 | \$ 125,649 | \$ 2,924 | \$ 6,610 | \$ 19,591 | \$ 621 | \$ 4,703 |

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The UMC's investment policy establishes ranges which limit the level of investments held in domestic and international equities, fixed income securities, and alternative investment strategies. Investment in fixed income securities is limited to investment grade securities with a credit rating of BBB, or equivalent, or better. The portfolio of fixed income securities must maintain an average rating of A or better at all times. The following table presents the UMC's investments which were rated by S & P's and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2010 (expressed in thousands):

| Investment Type | Fair Value | AAA | AA | A | Not Rated |
|---------------------------------|-------------------|-----------------|-----------------|-----------------|-------------------|
| Bond mutual funds | \$ 6,988 | \$ 5,499 | \$ 1,489 | \$ - | \$ - |
| Commercial paper | 15,617 | - | - | - | 15,617 |
| Guaranteed investment contracts | 8,615 | - | - | 4,243 | 4,372 |
| Hedge fund of funds | 33,043 | - | - | - | 33,043 |
| Money market mutual funds | 51,686 | - | - | - | 51,686 |
| Private equity | 3,697 | - | - | - | 3,697 |
| Other | 51,216 | - | - | - | 51,216 |
| Total | <u>\$ 170,862</u> | <u>\$ 5,499</u> | <u>\$ 1,489</u> | <u>\$ 4,243</u> | <u>\$ 159,631</u> |

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2010, an investment in Bayerische Landesbank (fair value of \$40.586 million) was approximately 23.22% of the WIFA's total investments, an investment in AIG Matched Funding Corp. (fair value of \$25.153 million) was approximately 14.39% of the WIFA's total investments, an investment in Royal Bank of Canada (fair value of \$31.374 million) was approximately 17.95% of the WIFA's total investments, and an investment in GE Funding Capital Market Services, Inc. (fair value of \$8.145 million) was approximately 4.66% of the WIFA's total investments.

f. Foreign Currency Risk

The UMC's investment policy permits it to invest a portion of its holdings in international equities, private equity, and hedge fund investments. The UMC's current holdings in international securities totaled approximately \$22.608 million, or 15.60% of total investments not held by trustee. The following table summarizes the UMC's foreign currency risk as of June 30, 2010 (expressed in thousands):

| Currency | Foreign Currency Risk by Investment Type at Fair Value | | |
|--------------------|---------------------------------------------------------------|------------------|------------------|
| | Fixed Income | Equities | Total |
| Euro Currency | \$ (293) | \$ 3,865 | \$ 3,572 |
| Hong Kong Dollar | - | 1,362 | 1,362 |
| Indonesian Rupiah | 93 | 1,207 | 1,300 |
| Japanese Yen | (248) | 7,495 | 7,247 |
| Russian Ruble | - | 828 | 828 |
| South African Rand | (49) | 1,680 | 1,631 |
| Other | 1,911 | 4,757 | 6,668 |
| Total | <u>\$ 1,414</u> | <u>\$ 21,194</u> | <u>\$ 22,608</u> |

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2. Universities-Affiliated Component Units

Investments of the Universities-affiliated component units include the following amounts at June 30, 2010. Investments are stated at fair value (expressed in thousands):

| | ASU Foundation | U of A Foundation | NAU Foundation |
|-----------------------------------------------------------|-------------------|----------------------|-------------------|
| Money market funds and cash equivalents | \$ 47,468 | \$ - | \$ 122 |
| Domestic/international equity securities and mutual funds | 322,544 | 126,983 | 41,014 |
| Fixed income | 110,266 | 89,708 | 23,761 |
| Absolute return limited partnerships and funds | - | 113,629 | - |
| Other investments | 53,971 | 46,763 | - |
| Total Investments | <u>\$ 534,249</u> | <u>\$ 377,083</u> | <u>\$ 64,897</u> |

C. PROGRAM LOANS

The WIFA has made loans to local governments and others in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semi-annual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans during fiscal year 2010 are as follows (expressed in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------|----------------------|-------------------|--------------------|---------------------|
| Clean Water Fund | \$ 681,426 | \$ 168,128 | \$ (49,461) | \$ 800,093 |
| Drinking Water Fund | 311,215 | 76,123 | (29,294) | 358,044 |
| Total | <u>\$ 992,641</u> | <u>\$ 244,251</u> | <u>\$ (78,755)</u> | <u>\$ 1,158,137</u> |

Repayment of these loans will be made from pledged property taxes, net revenues from the systems, transaction privilege taxes, or from special assessments. Most loans have a .30% to 4.00% annual administrative fee.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the WIFA to the borrowers and interest on the reserve accrues to the borrowers.

D. PLEDGES RECEIVABLE

Pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and any applicable loss allowance. The ASU Foundation's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 2.80% to 10.90%. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges. The Sun Angel Foundation's pledges receivable are recorded using a 5.14% discount rate for the year ended June 30, 2010.

Pledges receivable, as of June 30, 2010, include the following (expressed in thousands):

| | ASU Foundation | Sun Angel Foundation |
|-------------------------------------|-------------------|-------------------------|
| Gross pledges receivable | \$ 155,337 | \$ 9,068 |
| Present value discount | (15,073) | (608) |
| Allowance for uncollectible pledges | (47,684) | - |
| Net Pledges Receivable | <u>\$ 92,580</u> | <u>\$ 8,460</u> |

E. DIRECT FINANCING LEASE AGREEMENTS

1. ASU Foundation

The ASU Foundation leases a portion of the Fulton Center building (the ASU Foundation's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASU Foundation and affiliates will gift their portion of the building to the ASU

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and the ASU will receive title to the building. The ASU Foundation's net investment in this direct financing lease at June 30, 2010 is \$26.975 million.

2. ACFFC

Pursuant to a sublease agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the Research Park to the ASU. The ASU will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009A and 2009B Bonds. The Sublease has successive annual renewals without action from either party through the period ending March 31, 2034. The Sublease is subject to early termination by Nanotechnology or the ASU upon the payment in full of the Series 2009A and 2009B Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the ASU without further consideration. ACFFC's net investment in the Nanotechnology facility direct financing lease is \$34.200 million at June 30, 2010.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease was amended effective September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 Bonds. Any right, title, or interest of Hassayampa in and to the academic portions of the Hassayampa project will pass to the ASU without further cost upon payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 Bonds maturity schedule. ACFFC's net investment in the McAllister (HAV) direct financing lease is \$12.400 million at June 30, 2010.

3. NACFFC

On May 19, 2005, the NAU entered into a lease purchase agreement with NACFFC. During the 28 year lease term, the NAU will make lease payments on two apartment style student housing complexes, Pine Ridge Village and McKay Village. The NACFFC recorded a sales-type lease receivable of \$13.225 million in fiscal year 2005 for the Pine Ridge complex. The agreement also provided for the NAU's lease purchase agreement of the McKay Village complex for \$22.685 million in fiscal year 2007. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

On September 1, 2006, the NAU entered into a lease purchase agreement with NACFFC. During the 30 year lease term, the agreement provides for the NAU lease purchase of the convention center/parking garage complex for \$12.400 million in fiscal year 2008. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

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F. CAPITAL ASSETS

Capital asset activity for the UMC for the fiscal year ended June 30, 2010 was as follows (expressed in thousands):

| | University Medical Center | | | | |
|---------------------------------------|---------------------------|-----------|-------------|------------------------------------|-------------------|
| | Beginning Balance | Additions | Retirements | Adjustments & Reclassifications | Ending Balance |
| Non-depreciable capital assets: | | | | | |
| Land | \$ 11,692 | \$ - | \$ - | \$ 165 | \$ 11,857 |
| Construction in progress | 102,756 | 56,517 | - | (143,645) | 15,628 |
| Total Non-depreciable Capital Assets | 114,448 | 56,517 | - | (143,480) | 27,485 |
| Depreciable capital assets: | | | | | |
| Buildings | 241,389 | 3,900 | - | 121,456 | 366,745 |
| Improvements other than buildings | 864 | 17 | (22) | (162) | 697 |
| Equipment | 156,970 | 8,420 | (6,089) | 22,186 | 181,487 |
| Total Depreciable Capital Assets | 399,223 | 12,337 | (6,111) | 143,480 | 548,929 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (121,864) | (10,123) | - | - | (131,987) |
| Improvements other than buildings | (412) | (43) | - | - | (455) |
| Equipment | (121,845) | (15,048) | 6,040 | - | (130,853) |
| Total Accumulated Depreciation | (244,121) | (25,214) | 6,040 | - | (263,295) |
| Total Depreciable Capital Assets, Net | 155,102 | (12,877) | (71) | 143,480 | 285,634 |
| Total UMC Capital Assets, Net | \$ 269,550 | \$ 43,640 | \$ (71) | \$ - | \$ 313,119 |

Capital assets for the Universities-affiliated component units for the fiscal year ended June 30, 2010 include the following (expressed in thousands):

| | ASU Foundation | ACFFC | Downtown Phoenix Student Housing |
|------------------------------------|-------------------|------------|-------------------------------------|
| Buildings and improvements | \$ 17,397 | \$ 202,983 | \$ 113,900 |
| Furniture, fixtures, and equipment | 7,860 | 52,795 | 10,280 |
| Construction in progress | - | 23,263 | - |
| Other property and equipment | - | 729 | - |
| Total cost or donated value | 25,257 | 279,770 | 124,180 |
| Less: Accumulated Depreciation | (6,501) | (46,629) | (7,017) |
| Total Property and Equipment, Net | \$ 18,756 | \$ 233,141 | \$ 117,163 |

G. LONG-TERM OBLIGATIONS

1. Component Units

a. Water Infrastructure Finance Authority

The WIFA's bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA's assets. The bonds are not obligations, general, specific, or otherwise, of the State or any other political subdivision, thereof, other than the WIFA.

During fiscal year 2010, the WIFA issued Water Quality Revenue Bonds, Series 2009A (2009A Bonds) for \$148.785 million. The 2009A Bonds include \$148.785 million of serial bonds due in annual installments through final maturity of fiscal year 2030, with interest rates ranging from 2.00% to 5.00%. The 2009A Bonds were sold to provide financial assistance to entities throughout the State for various wastewater treatment facilities pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987. The 2009A Bonds were sold at a net original issue premium of \$12.228 million.

In July 2009, the WIFA issued \$39.655 million of Water Quality Revenue Refunding Bonds Series 2009A to do an advance refunding on the remainder of the 1996A and 1999A bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The redemption date was September and October 2009, so the amount outstanding on those defeased bonds, as of June 30, 2010, is zero. The advance refunding was done in order to reduce debt payments. The refunding issue decreased the WIFA's total debt service payments by approximately \$3.600 million. The transaction resulted in an economic loss of approximately \$499 thousand.

In prior fiscal years, the WIFA refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. The amount outstanding on the refunded bonds for the WIFA at June 30, 2010 totaled \$62.995 million.

The \$6.317 million deferred amount on retirement of bonds is being amortized over the lives of the defeased bonds on a straight-line basis. The amortization for the year ended June 30, 2010 is \$554 thousand. Amortization has been offset against interest expense.

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2010 is \$4.516 million. Further, bond issuance costs are amortized over the life of the bond and offset to interest expense. The amortization for the ended June 30, 2010 is \$760 thousand.

b. University Medical Center

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture). In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The UMC has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds, which totaled \$20.072 million at June 30, 2010, are held by the trustee and are reflected as restricted investments held by trustee in the accompanying financial statements. These principally consist of money market investments, collateralized by U.S. government securities.

The bonds or other obligations of the UMC do not constitute general obligations of the Arizona Board of Regents, the U of A, the State, or any political subdivision thereof.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2010 (expressed in thousands):

| Revenue Bonds Outstanding | Dates Issued | Maturity Dates | Interest Rates | Outstanding Balance at June 30, 2010 |
|----------------------------------------|--------------|----------------|----------------|--------------------------------------------|
| Component Units: | | | | |
| Water Infrastructure Finance Authority | 2001-2010 | 2011-2030 | 2.00-5.38% | \$ 857,910 |
| University Medical Center | 1993-2009 | 2011-2040 | 4.82-6.48% | 282,745 |
| Arizona Power Authority | 2001-2004 | 2011-2018 | 5.00-5.25% | 41,750 |
| Rio Nuevo Multipurpose Facilities Dist | 2006-2009 | 2011-2025 | 4.90-6.6% | 83,010 |

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2010 are as follows (expressed in thousands):

| Fiscal Year | Annual Debt Service Water Infrastructure Finance Authority | | |
|-------------|---------------------------------------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2011 | \$ 36,995 | \$ 40,094 | \$ 77,089 |
| 2012 | 45,125 | 38,353 | 83,478 |
| 2013 | 41,470 | 36,458 | 77,928 |
| 2014 | 42,250 | 34,547 | 76,797 |
| 2015 | 43,495 | 32,578 | 76,073 |
| 2016-2020 | 246,950 | 129,240 | 376,190 |
| 2021-2025 | 269,535 | 65,238 | 334,773 |
| 2026-2030 | 132,090 | 13,138 | 145,228 |
| Total | <u>\$ 857,910</u> | <u>\$ 389,646</u> | <u>\$ 1,247,556</u> |

| Fiscal Year | Annual Debt Service University Medical Center | | |
|-------------|--------------------------------------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| 2011 | \$ 4,295 | \$ 15,059 | \$ 19,354 |
| 2012 | 4,515 | 14,846 | 19,361 |
| 2013 | 5,555 | 14,621 | 20,176 |
| 2014 | 5,845 | 14,365 | 20,210 |
| 2015 | 6,145 | 14,075 | 20,220 |
| 2016-2020 | 36,165 | 65,439 | 101,604 |
| 2021-2025 | 47,640 | 55,251 | 102,891 |
| 2026-2030 | 61,435 | 41,818 | 103,253 |
| 2031-2035 | 79,435 | 24,284 | 103,719 |
| 2036-2040 | 31,715 | 4,986 | 36,701 |
| Total | <u>\$ 282,745</u> | <u>\$ 264,744</u> | <u>\$ 547,489</u> |

| Fiscal Year | Annual Debt Service Arizona Power Authority | | |
|-------------|------------------------------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2011 | \$ 4,220 | \$ 2,064 | \$ 6,284 |
| 2012 | 4,585 | 1,845 | 6,430 |
| 2013 | 4,810 | 1,603 | 6,413 |
| 2014 | 5,065 | 1,344 | 6,409 |
| 2015 | 5,330 | 1,071 | 6,401 |
| 2016-2018 | 17,740 | 1,429 | 19,169 |
| Total | <u>\$ 41,750</u> | <u>\$ 9,356</u> | <u>\$ 51,106</u> |

| Fiscal Year | Annual Debt Service Rio Nuevo Multipurpose Facilities District | | |
|-------------|-------------------------------------------------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2011 | \$ 3,120 | \$ 4,974 | \$ 8,094 |
| 2012 | 3,290 | 4,812 | 8,102 |
| 2013 | 5,295 | 4,641 | 9,936 |
| 2014 | 3,870 | 4,349 | 8,219 |
| 2015 | 4,020 | 4,137 | 8,157 |
| 2016-2020 | 23,750 | 17,210 | 40,960 |
| 2021-2025 | 39,665 | 9,031 | 48,696 |
| Total | <u>\$ 83,010</u> | <u>\$ 49,154</u> | <u>\$ 132,164</u> |

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

c. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the component units (expressed in thousands):

| | Balance July 1, 2009 | Increases | Decreases | Balance June 30, 2010 | Due Within One Year | Due Thereafter |
|----------------------------------------------------|-------------------------|-------------------|--------------------|--------------------------|------------------------|-------------------|
| Water Infrastructure Finance Authority: | | | | | | |
| Long-term Debt: | | | | | | |
| Revenue bonds | \$ 742,840 | \$ 188,440 | \$ (73,370) | \$ 857,910 | \$ 36,995 | \$ 820,915 |
| Revenue bond premium | 48,603 | 13,921 | (4,516) | 58,008 | - | 58,008 |
| Deferred amounts, net | (6,372) | (498) | 554 | (6,316) | - | (6,316) |
| Total Long-term Debt | <u>785,071</u> | <u>201,863</u> | <u>(77,332)</u> | <u>909,602</u> | <u>36,995</u> | <u>872,607</u> |
| Other Long-term Liabilities: | | | | | | |
| Compensated absences | <u>65</u> | <u>76</u> | <u>(56)</u> | <u>85</u> | <u>85</u> | <u>-</u> |
| Total Other Long-term Liabilities | <u>65</u> | <u>76</u> | <u>(56)</u> | <u>85</u> | <u>85</u> | <u>-</u> |
| Total Long-term Obligations | <u>\$ 785,136</u> | <u>\$ 201,939</u> | <u>\$ (77,388)</u> | <u>\$ 909,687</u> | <u>\$ 37,080</u> | <u>\$ 872,607</u> |
| University Medical Center: | | | | | | |
| Long-term Debt: | | | | | | |
| Revenue bonds | \$ 286,890 | \$ - | \$ (4,145) | \$ 282,745 | \$ 4,295 | \$ 278,450 |
| Revenue bond premium and discounts | (2,902) | - | 69 | (2,833) | - | (2,833) |
| Total Long-term Debt | <u>283,988</u> | <u>-</u> | <u>(4,076)</u> | <u>279,912</u> | <u>4,295</u> | <u>275,617</u> |
| Other Long-term Liabilities: | | | | | | |
| Compensated absences | <u>14,569</u> | <u>10,166</u> | <u>(9,574)</u> | <u>15,161</u> | <u>9,036</u> | <u>6,125</u> |
| Other | <u>4,693</u> | <u>468</u> | <u>(2,399)</u> | <u>2,762</u> | <u>-</u> | <u>2,762</u> |
| Total Other Long-term Liabilities | <u>19,262</u> | <u>10,634</u> | <u>(11,973)</u> | <u>17,923</u> | <u>9,036</u> | <u>8,887</u> |
| Total Long-term Obligations | <u>\$ 303,250</u> | <u>\$ 10,634</u> | <u>\$ (16,049)</u> | <u>\$ 297,835</u> | <u>\$ 13,331</u> | <u>\$ 284,504</u> |
| Arizona Power Authority: | | | | | | |
| Long-term Debt: | | | | | | |
| Revenue bonds | \$ 45,565 | \$ - | \$ (3,815) | \$ 41,750 | \$ 4,220 | \$ 37,530 |
| Revenue bond premium and discounts | 1,457 | - | (293) | 1,164 | - | 1,164 |
| Deferred amounts, net | (994) | - | 200 | (794) | - | (794) |
| Total Long-term Debt | <u>46,028</u> | <u>-</u> | <u>(3,908)</u> | <u>42,120</u> | <u>4,220</u> | <u>37,900</u> |
| Other Long-term Liabilities: | | | | | | |
| Compensated absences | <u>71</u> | <u>51</u> | <u>(61)</u> | <u>61</u> | <u>61</u> | <u>-</u> |
| Total Other Long-term Liabilities | <u>71</u> | <u>51</u> | <u>(61)</u> | <u>61</u> | <u>61</u> | <u>-</u> |
| Total Long-term Obligations | <u>\$ 46,099</u> | <u>\$ 51</u> | <u>\$ (3,969)</u> | <u>\$ 42,181</u> | <u>\$ 4,281</u> | <u>\$ 37,900</u> |
| Rio Nuevo Multipurpose Facilities District: | | | | | | |
| Long-term Debt: | | | | | | |
| Revenue bonds | \$ 83,610 | \$ - | \$ (600) | \$ 83,010 | \$ 3,120 | \$ 79,890 |
| Certificates of participation | 10,085 | 12,560 | (3,200) | 19,445 | 3,360 | 16,085 |
| City of Tucson loan | 6,752 | - | (5,036) | 1,716 | 1,716 | - |
| Premiums and discounts on debt | (1,062) | (147) | 4 | (1,205) | - | (1,205) |
| Total Long-term Obligations | <u>\$ 99,385</u> | <u>\$ 12,413</u> | <u>\$ (8,832)</u> | <u>\$ 102,966</u> | <u>\$ 8,196</u> | <u>\$ 94,770</u> |

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2010 include the following (expressed in thousands):

| | Final Maturity | Amount |
|----------------------------------------------------------|----------------|-----------|
| ASU Foundation: | | |
| Series 2004A Variable Rate Revenue Bonds | 2034 | \$ 22,420 |
| Series 2004B Variable Rate Revenue Bonds | 2022 | 9,855 |
| Series 2003 Lease Revenue Bonds | 2034 | 45,810 |
| Capital Lease | 2011 | 1,469 |
| ACFFC: | | |
| Series 2009 Revenue Bonds | 2024 | 41,240 |
| Series 2009A Lease Revenue Refunding Bonds | 2034 | 22,955 |
| Series 2009B Lease Revenue Refunding Bonds | 2022 | 11,490 |
| Series 2008 Revenue Bonds | 2028 | 16,315 |
| Series 2008 Revenue Refunding Bonds | 2039 | 145,180 |
| Series 2008 Variable Rate Demand Revenue Refunding Bonds | 2030 | 51,005 |
| Series 2005 Tax-Exempt Refunding Bonds | 2035 | 16,005 |
| Series 2003 Revenue Bonds | 2035 | 13,120 |
| Series 2002 Revenue Bonds | 2018 | 22,760 |
| Series 2000 Revenue Bonds | 2032 | 9,885 |
| Unamortized Bond Discount | | (3,467) |
| Downtown Phoenix Student Housing: | | |
| Series 2007A&C Revenue Bonds | 2042 | 119,040 |
| Series 2007B Revenue Bonds | 2012 | 785 |
| Series 2007D Tax-Exempt Revenue Bonds | 2042 | 22,700 |
| Unamortized Bond Discount | | (1,221) |
| NACFFC: | | |
| Series 2008 Refunding Bonds | 2033 | 35,845 |
| North Campus Lease Revenue Serial and Term Bonds | 2036 | 11,930 |
| Unamortized Bond Discount | | (34) |

Scheduled future maturities of Universities-affiliated component units' bonds payable are as follows (expressed in thousands):

| Fiscal Year | ASU Foundation | ACFFC | Downtown Phoenix Student Housing | NACFFC |
|-------------|----------------|------------|----------------------------------------|-----------|
| 2011 | \$ 1,875 | \$ 5,795 | \$ - | \$ 850 |
| 2012 | 1,988 | 8,455 | 600 | 915 |
| 2013 | 1,755 | 8,995 | 655 | 985 |
| 2014 | 1,835 | 9,580 | 430 | 1,060 |
| 2015 | 1,940 | 10,225 | 610 | 1,135 |
| Thereafter | 70,161 | 303,438 | 140,230 | 42,830 |
| Total | \$ 79,554 | \$ 346,488 | \$ 142,525 | \$ 47,775 |

H. CONDUIT DEBT

During the year ended June 30, 2010, the Greater Arizona Development Authority (GADA) issued \$23.370 million of Bonds, Series 2010A for public infrastructure projects in the City of Flagstaff and the City of Maricopa. The GADA's bond structure allows it to lower borrowing costs for Arizona's communities by issuing and selling bonds tax-exempt and by sharing financing costs among several borrowers. Eligible applicants include cities, towns, counties, Indian tribes, and certain special districts. Principal and interest are payable semiannually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the GADA from the GADA Fund, which is held by the State Treasurer. Some borrowers also have

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

separate, additional reserve funds, which are held by the Trustee. An intercept mechanism of state-shared revenues for political subdivisions enhances the security of the GADA bonds.

In previous years, the State appropriated a total of \$20.000 million to the GADA for the express purpose of securing bonds issued by the GADA. As of June 30, 2010, the remaining balance in the appropriations account was \$12.483 million including interest earned. Although issued in the name of the GADA, loans funded through the GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-1554.08, the GADA's bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the restricted net assets of \$10.465 million in the Pledged Collateral Reserve Fund. As such, the Series 2010A bonds do not constitute a legal debt of the State and are not enforceable against the State. At June 30, 2010, the total outstanding face value of all bonds issued by the GADA was \$379.465 million.

I. RELATED PARTY TRANSACTIONS

The UMC and the U of A both provide and receive services from each other under various contracts. Payments to the U of A by the UMC include mission and program support, resident and intern salaries, utilities, leases, ground maintenance, and various administrative functions. Amounts paid to the U of A for these services were approximately \$28.853 million for the year ended June 30, 2010. At June 30, 2010, the amount outstanding for mission support agreements is \$2.500 million.

The UMC has entered into contractual agreements with the U of A to provide support for the academic mission of the U of A. Charges to the U of A for such services and facilities provided by the UMC were approximately \$8.552 million for the year ended June 30, 2010. This amount is included in sales and charges for services in the accompanying financial statements.

The UMC also has an agreement to provide health care services to members of an AHCCCS health plan owned by University Physicians Healthcare (UPH) called University Family Care (UFC). UFC, an AHCCCS-funded health maintenance organization (HMO), manages approximately 15,000 members. The UMC provides health care services to UFC members in the normal course of business. The UMC operates under a contract with UFC at rates that are substantially the same as rates received from other unaffiliated AHCCCS HMOs. Such rates are generally at or below the maximum rates established by AHCCCS and do not cover the UMC's costs of providing care to UFC members. Sales and charges for services include \$40.033 million from this payor, based on negotiated rates.

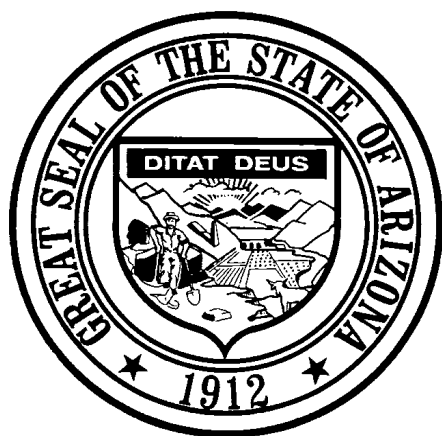
During fiscal year 2010, AHCCCS committed approximately \$31.000 million to the UMC related to the UMC's eligible unreimbursed Indirect Medical Education (IME) costs. The availability of these funds was made possible due to the UMC's unreimbursed IME costs and facilitated by matching funds made available by the U of A and Pima County. Pursuant to a separate but related agreement, the UMC agreed to pay \$20.000 million of the funds in fiscal year 2010 to UPH in support of unreimbursed costs of residents and fellows incurred by UPH. At June 30, 2010, a receivable in the amount of \$31.000 million is recorded in the accompanying financial statements. At June 30, 2010, accounts payable included \$20.000 million due to UPH under this agreement.

J. SUBSEQUENT EVENTS

In June 2010, the ABOR created UA Healthcare, Inc. and approved a change in the UMC's bylaws designating the newly formed UA Healthcare, Inc. as the UMC's sole member and granting UA Healthcare certain reserved power and authority. Effective July 1, 2010, UA Healthcare, Inc. also controls the UPH. The UPH is a not-for-profit corporation created by the U of A in 1985 as the medical practice for physicians at the U of A's College of Medicine. In connection with the establishment of UA Healthcare, Inc. as the sole member of the UMC and the controlling member of the UPH, the UMC and the UPH will be developing an integration plan to enhance the existing relationships between the UMC and the UPH.

In July 2010, the WIFA issued \$138.665 million of Water Quality Revenue Bonds, Series 2010A due in annual principal installments ranging from \$2.500 million to \$75.175 million, plus semi annual interest ranging from 2.00% to 5.00% through October 1, 2030. The WIFA also issued \$42.325 million of Water Quality Revenue Refunding Bonds, Series 2010A due in annual principal installments beginning in October, 2017 and ranging from \$7.765 million to \$12.485 million, plus semi annual interest of 5.00% through October 1, 2020.

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REQUIRED
SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| ADMINISTRATION, ARIZONA DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | \$ 0 | \$ 103,142 | \$ 103,142 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 278,123 | 278,123 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 205 | 205 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,276 | 1,276 |
| ARIZONA FINANCIAL INFORMATION SYSTEM | 1,120,500 | 1,120,500 | 1,113,760 |
| BUILDING RENEWAL FY00 - 01 | 10,186 | 10,186 | 0 |
| BUILDING RENEWAL FY05 - 06 | 4,714 | 4,714 | 0 |
| BUILDING RENEWAL FY06 - 07 | 36,907 | 36,907 | 0 |
| BUILDING RENEWAL FY06 - 07 | 53,241 | 53,241 | 26,769 |
| BUILDING RENEWAL FY07 - 08 | 1,212,841 | 1,212,841 | 1,205,765 |
| BUILDING RENEWAL FY08 - 09 | 193,216 | 164,735 | 118,415 |
| BUILDING RENEWAL FY09 - 10 | 1,000,000 | 960,000 | 238,555 |
| CAPITOL MALL FIRE SYSTEM REPLACE | 490,931 | 490,931 | 44,042 |
| CASH TRANSFER TO GENERAL FUND | 0 | 400,300 | 400,300 |
| CASH TRANSFER TO GENERAL FUND | 0 | 647,600 | 647,600 |
| CASH TRANSFER TO GENERAL FUND | 0 | 3,600,900 | 3,600,900 |
| CASH TRANSFER TO GENERAL FUND | 0 | 1,867,200 | 1,867,200 |
| CASH TRANSFER TO GENERAL FUND | 1,279,700 | 1,279,700 | 1,279,700 |
| COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT | 2,430,000 | 1,216,800 | 715,000 |
| DJC HVAC AND ELECTRICAL RENOVATIONS | 189,752 | 189,752 | 1,876 |
| ENSCO | 2,867,300 | 2,867,300 | 2,867,300 |
| FEDERAL GOVERNMENT REPAYMENT | 0 | 1,700,000 | 1,700,000 |
| HB1464 PERSONNEL REFORM | 273,045 | 273,045 | 0 |
| HRIS CERTIFICATE OF PARTICIPATION | 4,354,000 | 4,354,000 | 4,318,381 |
| OPERATING LUMP SUM APPROPRIATION | 5,590,700 | 4,801,200 | 3,052,384 |
| OPERATING LUMP SUM APPROPRIATION | 14,064,000 | 10,530,700 | 8,241,570 |
| OPERATING LUMP SUM APPROPRIATION | 19,214,300 | 11,133,300 | 10,831,946 |
| OPERATING LUMP SUM APPROPRIATION | 1,258,000 | 1,266,100 | 982,021 |
| OPERATING LUMP SUM APPROPRIATION - COSF | 5,200,700 | 5,200,700 | 5,200,536 |
| OPERATING LUMP SUM OPERATING - FED SURP | 449,300 | 453,300 | 99,905 |
| PLTO 1 BACKFILL AGENCY RELOCATIONS | 243,490 | 243,490 | 0 |
| PLTO 1 BACKFILL SPACE RENOVATIONS | 106,402 | 106,402 | 0 |
| PLTO 1 BACKFILL SPACE RENOVATIONS | 348,161 | 348,161 | 0 |
| PLTO 1 PROJECT MANAGEMENT | 55,659 | 55,659 | 0 |
| PRISON CELL LOCKS/DOOR REPLACEMENT GF | 88,022 | 88,022 | 0 |
| RELOCATION | 0 | 58,149 | 0 |
| RELOCATION | 60,000 | 60,000 | 0 |

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| RELOCATION | 60,000 | 60,000 | 53,587 |
| RELOCATION FY00 - 01 | 0 | 60,000 | 0 |
| RELOCATION FY01 - 02 | 0 | 59,026 | 0 |
| RELOCATION FY99 - 00 | 46,526 | 46,526 | 0 |
| STATE BOARDS LUMP SUM APPROPRIATION | 284,200 | 285,200 | 208,425 |
| STATE SURPLUS PROPERTY SALES PROCEEDS | 3,000,000 | 2,352,400 | 587,330 |
| SW TELECOMMUNICATIONS MGT CONTRACT LEASE | 851,800 | 851,800 | 851,739 |
| UTILITIES | 7,349,900 | 7,349,900 | 6,686,028 |
| UTILITIES | 625,700 | 625,700 | 625,700 |
| ADMINISTRATIVE HEARINGS, OFFICE OF | | | |
| OPERATING LUMP SUM APPROPRIATION | 999,700 | 933,300 | 933,300 |
| OPERATING LUMP SUM APPROPRIATION | 14,500 | 14,500 | 14,500 |
| AGRICULTURE, ARIZONA DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 6,465 | 6,465 |
| AG CONSULTING AND TRAINING PARI-MUTUAL | 128,500 | 128,500 | 126,609 |
| AGRICULTURAL EMPLOYMENT RELATIONS BOARD | 23,300 | 19,805 | 19,805 |
| ANIMAL DAMAGE CONTROL | 65,000 | 65,000 | 65,000 |
| OPERATING LUMP SUM APPROPRIATION | 11,528,900 | 8,341,295 | 8,335,179 |
| RED IMPORTED FIRE ANT | 23,200 | 23,200 | 23,200 |
| AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 7,996,389 | 7,996,389 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 710,250 | 710,250 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 24,764,557 | 24,764,557 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 402,956 | 402,956 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 316 | 316 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 18,641 | 18,641 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 17,197,343 | 17,197,343 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 533,482 | 533,482 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 163,123 | 163,123 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,452 | 2,452 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 25,338,611 | 25,338,611 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 9,663 | 9,663 |
| BREAST AND CERVICAL CANCER | 407,400 | 226,900 | 218,016 |
| BREAST AND CERVICAL CANCER | 1,292,200 | 1,292,200 | 711,113 |
| BUDGET NEUTRALITY COMPLIANCE FUND | 2,993,500 | 2,993,500 | 2,235,579 |
| CAPITATION | 1,642,435,400 | 1,480,890,700 | 1,479,836,591 |
| CAPITATION | 722,107,400 | 454,680,059 | 453,377,673 |
| CASH REVERSION TO GENERAL FUND | 0 | 112,607 | 112,607 |
| CASH TRANSFER TO GENERAL FUND | 0 | 1,426,000 | 1,426,000 |

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| CHIP - PARENTS | 1,670,100 | 1,670,100 | 1,505,922 |
| CHIP - PARENTS | 5,297,400 | 5,297,400 | 4,879,134 |
| CHIP - SERVICES | 30,483,700 | 18,204,600 | 17,819,492 |
| CHIP - SERVICES | 104,032,800 | 67,941,500 | 67,590,695 |
| CRITICAL ACCESS HOSPITALS | 1,117,700 | 1,117,700 | 558,875 |
| CRITICAL ACCESS HOSPITALS | 582,300 | 409,240 | 204,595 |
| DES ELIGIBILITY | 26,467,600 | 26,320,700 | 21,816,653 |
| DES ELIGIBILITY | 29,220,700 | 29,323,600 | 17,862,153 |
| DES TITLE XIX PASS THROUGH | 154,000 | 262,700 | 147,700 |
| DES TITLE XIX PASS THROUGH | 203,800 | 319,800 | 166,491 |
| DISPROPORTIONATE SHARE PAYMENTS | 8,954,300 | 171,250 | 0 |
| DISPROPORTIONATE SHARE PAYMENTS | 21,395,700 | 4,552,300 | 0 |
| DOA DATA CENTER CHARGES | 1,724,700 | 2,483,300 | 2,430,326 |
| DOA DATA CENTER CHARGES | 3,992,800 | 5,874,400 | 5,769,823 |
| FEE FOR SERVICE | 416,918,100 | 445,193,500 | 436,851,725 |
| FEE FOR SERVICE | 105,858,600 | 96,131,030 | 80,717,626 |
| GRADUATE MEDICAL EDUCATION | 14,470,700 | 0 | 0 |
| GRADUATE MEDICAL EDUCATION | 27,604,600 | 0 | 0 |
| INDIAN ADVISORY COUNCIL | 116,300 | 117,100 | 98,585 |
| INDIAN ADVISORY COUNCIL | 116,600 | 104,900 | 101,078 |
| KIDSCARE ADMINISTRATION | 5,595,600 | 6,428,500 | 5,347,572 |
| KIDSCARE ADMINISTRATION | 1,764,100 | 1,733,600 | 1,639,307 |
| LONG TERM CARE BOARD OF NURSING | 104,800 | 104,800 | 104,800 |
| LONG TERM CARE BOARD OF NURSING | 104,900 | 104,900 | 104,800 |
| MEDICAL CLAWBACK PAYMENTS - ACUTE CARE | 31,925,600 | 20,965,952 | 20,965,952 |
| MEDICAL CLAWBACK PAYMENTS - LTC | 12,501,700 | 8,216,936 | 8,216,935 |
| MEDICAL CLAWBACK PAYMENTS - LTC | 10,454,600 | 6,860,011 | 6,860,010 |
| MEDICARE PREMIUMS | 73,242,700 | 75,992,700 | 75,825,360 |
| MEDICARE PREMIUMS | 31,307,300 | 22,458,842 | 22,454,529 |
| MENTAL HEALTH - ADULTS | 45,368 | 45,368 | 0 |
| NEW AND EXPANDED GRADUATE MED ED PROGRAM | 958,535 | 958,535 | 0 |
| NEW AND EXPANDED GRADUATE MED ED PROGRAM | 4,494,824 | 4,494,824 | 0 |
| OFFICE OF ADMINISTRATIVE HEARINGS | 271,300 | 272,700 | 229,951 |
| OPERATING LUMP SUM APPROPRIATION | 0 | 29 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 41,521,800 | 38,635,900 | 30,835,300 |
| OPERATING LUMP SUM APPROPRIATION | 28,560,600 | 24,305,550 | 24,191,474 |
| OPERATING LUMP SUM APPROPRIATION | 1,098,657,600 | 1,098,619,089 | 1,000,916,515 |
| OPERATING LUMP SUM APPROPRIATION | 168,052,400 | 114,305,941 | 114,305,941 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|---------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| PROP 204 ADMIN OPER 100% FPL EXPANSION | 4,678,100 | 5,224,100 | 4,761,914 |
| PROP 204 ADMIN OPER 100% FPL EXPANSION | 0 | 5 | 0 |
| PROP 204 ADMIN OPER 100% FPL EXPANSION | 4,724,800 | 3,937,000 | 3,594,300 |
| PROP 204 CAPITATION | 48,996,700 | 40,367,900 | 40,367,900 |
| PROP 204 CAPITATION | 1,411,264,200 | 1,314,690,000 | 1,308,327,487 |
| PROP 204 CAPITATION | 118,280,200 | 108,211,300 | 105,394,083 |
| PROP 204 CAPITATION | 555,523,900 | 312,373,058 | 306,145,090 |
| PROP 204 COUNTY HOLD HARMLESS | 4,825,600 | 4,825,600 | 4,825,600 |
| PROP 204 FEE-FOR-SERVICE | 47,238,800 | 45,582,814 | 37,697,912 |
| PROP 204 FEE-FOR-SERVICE | 183,312,600 | 223,812,600 | 222,871,924 |
| PROP 204 MEDICARE | 21,732,900 | 22,982,900 | 22,927,375 |
| PROP 204 PASS THROUGH ADMIN | 21,854,900 | 18,036,800 | 18,036,800 |
| PROP 204 PASS THROUGH ADMIN | 18,737,300 | 18,895,500 | 15,774,600 |
| PROP 204 REINSURANCE | 29,998,400 | 30,872,521 | 20,532,178 |
| PROP 204 REINSURANCE | 57,603,500 | 62,603,500 | 59,502,417 |
| REINSURANCE | 44,389,000 | 56,716,600 | 42,597,235 |
| REINSURANCE | 85,232,800 | 124,132,800 | 107,837,167 |
| RURAL HOSPITAL REIMBURSEMENT | 7,994,600 | 7,994,600 | 0 |
| RURAL HOSPITAL REIMBURSEMENT | 4,163,500 | 2,926,400 | 0 |
| TICKET TO WORK | 4,566,200 | 4,566,200 | 4,115,758 |
| TICKET TO WORK | 2,378,100 | 1,470,416 | 1,456,407 |
| ARIZONA STATE UNIVERSITY | | | |
| BIOMEDICAL INFORMATICS | 3,472,679 | 2,766,172 | 2,766,172 |
| DOWNTOWN PHOENIX CAMPUS | 35,657,491 | 27,670,791 | 27,670,791 |
| OPERATING LUMP SUM APPROPRIATION - MAIN | 379,025,264 | 246,063,198 | 246,063,197 |
| OPERATING LUMP SUM APPROPRIATION-EAST | 32,305,307 | 21,382,636 | 21,382,636 |
| OPERATING LUMP SUM APPROPRIATION-WEST | 58,305,716 | 38,898,202 | 38,898,202 |
| RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT | 0 | 12,481,636 | 12,481,636 |
| RESEARCH INFRASTRUCTURE LPP-POLYTECHNIC | 0 | 844,387 | 844,387 |
| ARTS, ARIZONA COMMISSION ON THE | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 212 | 212 |
| CASH TRANSFER TO GENERAL FUND | 0 | 115,400 | 115,400 |
| COMMUNITY SERVICE PROJECTS | 1,263,100 | 287,700 | 287,700 |
| OPERATING LUMP SUM APPROPRIATION | 667,700 | 534,800 | 534,793 |
| ATTORNEY GENERAL - DEPARTMENT OF LAW | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 57,062 | 57,062 |
| LEGAL ARIZONA WORKERS ACT | 100,000 | 100,000 | 0 |
| MILITARY INSTALLATION/PLANNING | 0 | 99,900 | 99,900 |
| MILITARY INSTALLATION/PLANNING FY08-09 | 25,525 | 25,525 | 25,525 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM APPROPRIATION | 22,828,400 | 17,690,000 | 17,495,777 |
| OPERATING LUMP SUM APPROPRIATION | 13,378,800 | 13,440,400 | 11,330,076 |
| STATE GRAND JURY | 179,000 | 178,900 | 178,900 |
| AUDITOR GENERAL | | | |
| OPERATING LUMP SUM APPROPRIATION | 17,502,600 | 16,533,100 | 14,333,681 |
| OPERATING LUMP SUM APPROPRIATION FY07-08 | 190,889 | 190,889 | 0 |
| OPERATING LUMP SUM APPROPRIATION FY08-09 | 276,872 | 276,872 | 0 |
| CAPITAL POSTCONVICTION PUBLIC DEFENDER OFFICE, STATE | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,000 | 2,000 |
| OPERATING LUMP SUM APPROPRIATION | 680,600 | 646,300 | 645,687 |
| CHARTER SCHOOLS, STATE BOARD FOR | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 4,265 | 4,265 |
| OPERATING LUMP SUM APPROPRIATION | 823,900 | 823,100 | 720,745 |
| CHIROPRACTIC EXAMINERS, STATE BOARD OF | | | |
| GENERAL FUND TRANSFER TO AGENCY FUND | 148,000 | 148,000 | 148,000 |
| COMMERCE, DEPARTMENT OF | | | |
| AGRICULTURE PRESERVATION DISTRICT | 26,747 | 26,747 | 0 |
| APPRENTICESHIP SERVICES OFFICE | 189,900 | 189,900 | 187,155 |
| AZ 21ST CENTURY COMPETITIVE INITIAT FUND | 0 | 18,474,923 | 18,474,923 |
| CASH TRANSFER TO GENERAL FUND | 0 | 803,900 | 803,900 |
| COMMERCE AND ECON DEVELOPMENT COMMISSION | 866,122 | 866,122 | 0 |
| INTERNATIONAL TRADE OFFICES | 749,800 | 749,800 | 606,569 |
| MILITARY BASE ECONOMIC RESEARCH STUDY | 50,000 | 50,000 | 0 |
| MILITARY INSTALLATION GF TRANSFER | 0 | 1,879,500 | 1,879,500 |
| MILITARY INSTALLATION OPERATING | 0 | 75,000 | 74,929 |
| MILITARY INSTALLATION OPERATING FY05-06 | 6,172 | 6,172 | 0 |
| MILITARY INSTALLATION OPERATING FY06-07 | 5,114 | 5,114 | 0 |
| MILITARY INSTALLATION OPERATING FY07-08 | 6,820 | 6,820 | 0 |
| MILITARY INSTALLATION OPERATING FY08-09 | 813 | 813 | 0 |
| MOTION PICTURE PROD TAX INCENTIVE ADMIN | 0 | 337,700 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 144,700 | 145,400 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 3,392,900 | 499,300 | 496,716 |
| RURAL ECONOMIC DEVELOPMENT | 340,100 | 340,100 | 325,860 |
| CORPORATION COMMISSION | | | |
| OPERATING LUMP SUM APPROPRIATION | 1,343,600 | 589,100 | 588,797 |
| OPERATING LUMP SUM APPROPRIATION | 51,100 | 51,800 | 47,703 |
| RAILROAD WARNING SYSTEMS | 47,510 | 47,510 | 0 |
| CORRECTIONS, STATE DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 4,103,064 | 4,103,064 |
| ALL OTHER PS AND ERE | 177,000 | 157,600 | 124,000 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| ALL OTHER PS AND ERE | 200 | 200 | 200 |
| ALL OTHER PS AND ERE | 403,000 | 349,700 | 348,930 |
| CASH TRANSFER TO GENERAL FUND | 0 | 171,300 | 171,300 |
| CASH TRANSFER TO GENERAL FUND | 0 | 135,700 | 135,700 |
| CORRECTIONAL OFFICER EMPLOYEE RELATED EXPENDITURES | 128,135,500 | 130,849,900 | 130,332,529 |
| CORRECTIONAL OFFICER PERSONAL SERVICES | 253,382,100 | 249,362,100 | 245,988,835 |
| COUNTY JAIL BEDS | 866,200 | 366,200 | 364,620 |
| EMPLOYEE RELATED EXPENDITURES | 27,913,300 | 27,769,700 | 26,714,037 |
| HEALTH CARE ALL OTHER OPERATING EXP | 59,038,400 | 70,168,200 | 63,962,650 |
| HEALTH CARE EMPLOYEE RELATED EXPENDITURES | 14,851,900 | 14,166,300 | 13,414,357 |
| HEALTH CARE PERSONAL SERVICES | 41,393,000 | 39,179,000 | 37,922,924 |
| NEW STATE PRISONS BEDS | 16,064,100 | 16,064,100 | 16,064,100 |
| NON-HEALTH CARE ALL OTHER OPERATING EXP | 180,000 | 180,000 | 0 |
| NON-HEALTH CARE ALL OTHER OPERATING EXP | 123,309,400 | 123,309,400 | 120,781,395 |
| OVERTIME COMPENSATORY TIME | 13,420,100 | 9,441,700 | 8,511,923 |
| PERSONAL SERVICES | 66,324,000 | 62,880,900 | 61,719,468 |
| PRIVATE PRISON PER DIEM | 64,790,000 | 62,150,600 | 61,092,645 |
| PROVISIONAL BEDS | 101,388,900 | 84,682,600 | 84,401,279 |
| COSMETOLOGY, BOARD OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 252,000 | 252,000 |
| COURT OF APPEALS DIVISION I | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 3,319 | 3,319 |
| OPERATING LUMP SUM APPROPRIATION - DIV I | 9,873,800 | 9,739,400 | 9,738,844 |
| COURT OF APPEALS DIVISION II | | | |
| OPERATING LUMP SUM - DIVISION II | 4,377,000 | 4,319,200 | 4,319,200 |
| DEAF AND BLIND, ARIZONA SCHOOLS FOR THE | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,457,909 | 1,457,909 |
| OPERATING LUMP SUM - ADMIN/STATEWIDE | 4,707,700 | 4,134,017 | 4,061,266 |
| OPERATING LUMP SUM - PHOENIX | 3,671,200 | 3,418,222 | 3,190,030 |
| OPERATING LUMP SUM - PRESCHOOL/OUTREACH | 1,503,100 | 1,431,002 | 1,430,518 |
| OPERATING LUMP SUM - REGIONAL COOPERATIVES | 1,008,700 | 1,073,000 | 1,071,053 |
| OPERATING LUMP SUM - TUCSON | 10,383,000 | 10,466,759 | 9,631,702 |
| SCHOOL BUS REPLACEMENT-PHOENIX | 738,000 | 738,000 | 738,000 |
| ECONOMIC SECURITY, DEPARTMENT OF | | | |
| ADM ATTORNEY GENERAL LEGAL SERVICES | 17,300 | 17,300 | 10,330 |
| ADM ATTORNEY GENERAL LEGAL SERVICES | 747,900 | 626,200 | 626,200 |
| ADM ATTORNEY GENERAL LEGAL SERVICES | 168,000 | 168,900 | 115,704 |
| ADM FINGER IMAGING | 461,300 | 461,600 | 461,600 |
| ADM FINGER IMAGING | 277,500 | 127,800 | 61,880 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| ADM OPERATING LUMP SUM APPROPRIATION | 823,600 | 837,500 | 407,346 |
| ADM OPERATING LUMP SUM APPROPRIATION | 4,271,400 | 4,272,800 | 4,272,800 |
| ADM OPERATING LUMP SUM APPROPRIATION | 26,540,900 | 22,109,900 | 22,109,900 |
| ADM STATEWIDE COST ALLOCATION PLAN FUND | 1,000,000 | 1,000,000 | 1,000,000 |
| ADM TRIAGENCY DISASTER RECOVERY | 271,500 | 271,500 | 0 |
| ADM WIA OPERATING LUMP SUM | 0 | 225,000 | 0 |
| ADM-HIGH PERFORMANCE BONUS | 21,489 | 21,489 | 21,489 |
| ADMIN FED REED ACT GRANT 4050 | 259,200 | 259,200 | 259,200 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 4,544 | 4,544 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,860,791 | 2,860,791 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,527,546 | 1,527,546 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 9,216 | 9,216 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 26,897 | 26,897 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 5,381,177 | 5,381,177 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 335,948 | 335,948 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 433,075 | 433,075 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 19,713,904 | 19,713,904 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 207,120 | 207,120 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,309,051 | 2,309,051 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 39,120 | 39,120 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 6,056,925 | 6,056,925 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,394,002 | 1,394,002 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 16,617 | 16,617 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,000,465 | 2,000,465 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 13,261 | 13,261 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 271,500 | 271,500 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 33,071 | 33,071 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,844,202 | 1,844,202 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 8,210,163 | 8,210,163 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 165,454 | 165,454 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 3,469,371 | 3,469,371 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 556,569 | 556,569 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 259,200 | 259,200 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 3,236,500 | 3,236,500 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,498,319 | 1,498,319 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 299,820 | 299,820 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,394,179 | 1,394,179 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 13,010 | 13,010 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| ADMINISTRATIVE ADJUSTMENTS | 0 | 217,195 | 217,195 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,657,001 | 2,657,001 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 33,030 | 33,030 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 3,788,513 | 3,788,513 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,076,995 | 1,076,995 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 438,524 | 438,524 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 700,295 | 700,295 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 53,512,046 | 53,512,046 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,127,712 | 1,127,712 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 34,172 | 34,172 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 735,752 | 735,752 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 535,356 | 535,356 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 55,073 | 55,073 |
| ASSISTIVE TECHNOLOGY | 200,000 | 0 | 0 |
| CASH TRANSFER TO GENERAL FUND | 0 | 796,900 | 796,900 |
| CCA SLIDING FEE SCALES TANF | 2,423,734 | 2,423,734 | 0 |
| CPS APPEALS | 732,300 | 698,100 | 698,100 |
| DACS ADULT SERVICES | 18,977,700 | 14,497,400 | 13,662,770 |
| DACS COMMUNITY AND EMERGENCY SERVICES | 5,424,900 | 4,549,000 | 3,531,019 |
| DACS COORDINATED HOMELESS PROGRAM | 1,155,400 | 873,100 | 815,370 |
| DACS COORDINATED HOMELESS PROGRAM | 1,649,500 | 1,649,500 | 1,469,096 |
| DACS COORDINATED HUNGER PROGRAM | 500,000 | 500,000 | 318,878 |
| DACS COORDINATED HUNGER PROGRAM | 1,514,600 | 1,254,600 | 1,187,887 |
| DACS DOMESTIC VIOLENCE PREVENTION | 7,626,700 | 4,808,000 | 4,637,451 |
| DACS DOMESTIC VIOLENCE PREVENTION | 6,620,700 | 6,620,700 | 6,302,449 |
| DACS LIFESPAN RESPITE CARE PROGRAM | 28,549 | 28,549 | 28,549 |
| DACS NAVAJO NATION MULTIPURPOSE FACILITY | 390,633 | 390,633 | 377,336 |
| DACS NAVAJO NATION SENIOR CENTERS | 45,000 | 45,000 | 45,000 |
| DACS NAVAJO SENIOR CENTER | 45,911 | 45,911 | 45,911 |
| DACS NAVAJO SENIOR CENTERS-BIRDSPRINGS | 65,000 | 65,000 | 65,000 |
| DACS NAVAJO SENIOR CENTERS-WHITE CONE | 18,190 | 18,190 | 18,190 |
| DACS OPERATING LUMP SUM APPROPRIATION | 7,048,500 | 5,240,600 | 5,240,600 |
| DACS OPERATING LUMP SUM TANF | 247,600 | 248,800 | 170,688 |
| DACS TRIBAL SENIOR CENTERS - NAVAJO | 46,351 | 46,351 | 46,351 |
| DAY CARE SUBSIDY | 82,485,800 | 95,485,800 | 90,387,912 |
| DAY CARE SUBSIDY CARE TANF | 15,083,100 | 2,717,800 | 2,437,164 |
| DBME OPERATING LUMP SUM APPROPRIATION | 25,716,800 | 25,573,300 | 25,573,300 |
| DBME OPERATING LUMP SUM APPROPRIATION | 14,940,200 | 11,021,000 | 9,788,863 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| DBME TANF CASH BENEFITS | 41,242,700 | 11,970,800 | 11,970,800 |
| DBME TANF CASH BENEFITS | 80,630,700 | 96,498,900 | 75,343,473 |
| DBME TRIBAL PASS-THRU FUNDING | 5,192,300 | 4,680,300 | 2,344,953 |
| DBME TUBERCULOSIS CONTROL | 32,200 | 12,200 | 2,336 |
| DCFS INTENSIVE FAMILY SERVICES | 1,985,600 | 0 | 0 |
| DCSE ATTORNEY GENERAL LEGAL SERVICES | 887,500 | 678,300 | 678,300 |
| DCSE ATTORNEY GENERAL LEGAL SERVICES | 9,901,400 | 9,607,500 | 7,141,019 |
| DCSE COUNTY PARTICIPATION | 8,645,200 | 8,600,200 | 7,116,594 |
| DCSE GENETIC TESTING | 122,400 | 52,400 | 52,400 |
| DCSE GENETIC TESTING | 360,000 | 290,000 | 104,157 |
| DCSE OPERATING LUMP SUM APPROPRIATION | 49,513,700 | 46,661,300 | 35,094,739 |
| DCSE OPERATING LUMP SUM APPROPRIATION | 7,958,600 | 5,370,200 | 5,370,200 |
| DCYF ADOPT SVCS FAMILY PRESERVATION NR06 | 1,000,000 | 1,000,000 | 0 |
| DCYF ADOPTION SERVICES (DCFS) | 35,942,200 | 35,442,200 | 35,442,200 |
| DCYF ADOPTION SERVICES TANF | 19,302,400 | 19,302,400 | 17,349,876 |
| DCYF ATTORNEY GENERAL LEGAL SERVICES | 12,116,600 | 10,856,400 | 10,856,400 |
| DCYF ATTORNEY GENERAL LEGAL SERVICES | 52,200 | 52,300 | 0 |
| DCYF CHILD SUPT SVCS TANF - SSBG | 5,371,700 | 5,371,700 | 3,249,698 |
| DCYF CHILDREN SUPPORT SVCS - GF | 40,403,300 | 26,733,500 | 26,733,500 |
| DCYF CHILDREN SUPPORT SVCS - TANF | 24,557,400 | 20,057,400 | 1,739,192 |
| DCYF COMPREHENSIVE MED & DENTAL (DCFS) | 2,057,000 | 1,757,000 | 1,757,000 |
| DCYF EDUCATION AND TRAINING VOUCHERS | 700,000 | 200,000 | 25,000 |
| DCYF EMER PLCMT TANF - SSBG | 2,333,700 | 2,333,700 | 1,362,900 |
| DCYF EMERGENCY PLACEMENT - GF | 2,180,100 | 1,520,800 | 1,520,800 |
| DCYF EMERGENCY PLACEMENT - TANF | 672,700 | 672,700 | 589,186 |
| DCYF FAMILY BUILDERS TANF (DCYJ) | 5,200,000 | 0 | 0 |
| DCYF FOS CARE PLACEMENT TANF - SSBG | 5,074,400 | 5,074,400 | 4,513,820 |
| DCYF FOSTER CARE PLACEMENT - GF | 17,139,500 | 14,689,500 | 14,616,385 |
| DCYF FOSTER CARE PLACEMENT - TANF | 1,148,700 | 1,148,700 | 1,031,706 |
| DCYF HEALTHY FAMILIES (TANF) | 5,034,200 | 0 | 0 |
| DCYF HOMELESS YOUTH INTERVENTION | 400,000 | 0 | 0 |
| DCYF INDEPENDENT LIVING MAINT | 2,719,300 | 2,719,300 | 2,719,300 |
| DCYF JOINT SUB ABUSE TREAT-GF | 5,224,500 | 4,138,900 | 3,549,790 |
| DCYF OPERATING LUMP SUM APPROPRIATION | 38,112,300 | 38,301,300 | 33,481,979 |
| DCYF OPERATING LUMP SUM APPROPRIATION | 64,056,100 | 56,617,700 | 56,617,700 |
| DCYF PERM GUARD SUBSIDY | 1,743,000 | 1,743,000 | 1,307,250 |
| DCYF PERMANENT GUARDIANSHIP SUBSIDY | 7,192,300 | 7,072,300 | 7,021,904 |
| DCYF RESIDENT PLACEMENT TANF - SSBG | 9,833,300 | 9,833,300 | 9,753,574 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| DCYF RESIDENTIAL PLACEMENT - GF | 6,543,400 | 4,257,900 | 4,257,900 |
| DCYF RESIDENTIAL PLACEMENT - TANF | 1,333,300 | 1,333,300 | 1,327,344 |
| DCYF SUBSTANCE ABUSE TREATMENT (TANF) | 2,000,000 | 2,000,000 | 1,292,479 |
| DCYF-ADOPTION SVC FAMILY PRES PROJECT | 700,000 | 500,000 | 130,306 |
| DDD ARIZONA EARLY INTERVENTION PROGRAM | 2,041,700 | 1,343,700 | 0 |
| DDD ARIZONA TRAINING PROGRAM AT COOLIDGE | 566,400 | 69,300 | 68,792 |
| DDD CASE MANAGEMENT | 4,496,000 | 3,855,000 | 3,491,500 |
| DDD HOME AND COMMUNITY BASED SERVICES | 20,849,400 | 10,362,300 | 8,172,092 |
| DDD HOME&COMM BASED SYS (TFLTC) | 848,100 | 848,100 | 0 |
| DDD INSTITUTIONAL SERVICES | 294,900 | 144,900 | 5,106 |
| DDD OPERATING LUMP SUM APPROPRIATION | 17,883,400 | 12,894,700 | 12,664,000 |
| DDD STATE FUNDED LTC SERVICES | 25,620,400 | 26,195,300 | 19,810,812 |
| DDD STATE FUNDED LTC SERVICES | 762,900 | 2,062,900 | 1,958,092 |
| DERS DAYCARE SUBSIDY | 81,295,100 | 11,060,300 | 11,060,300 |
| DERS JOBS | 2,000,000 | 2,000,000 | 187,294 |
| DERS OPERATING LUMP SUM - REED ACT GRANT | 3,236,500 | 3,265,000 | 3,265,000 |
| DERS OPERATING LUMP SUM - WIA | 2,283,700 | 2,300,200 | 0 |
| DERS OPERATING LUMP SUM APPROPRIATION | 10,259,700 | 6,557,600 | 6,018,044 |
| DERS OPERATING LUMP SUM APPROPRIATION | 6,650,200 | 6,656,600 | 2,329,326 |
| DERS OPERATING LUMP SUM APPROPRIATION | 10,839,300 | 10,915,000 | 9,948,638 |
| DERS WIA DISCRETIONARY | 3,614,000 | 3,614,000 | 1,457,883 |
| DERS WORKFORCE INVESTMENT ACT PROGRAMS | 63,040,600 | 62,815,600 | 58,025,861 |
| HEALTHY FAMILIES | 5,715,800 | 0 | 0 |
| INDEPENDENT LIVING REHABILITATION SVCS | 784,200 | 786,000 | 720,401 |
| JOBS | 1,715,200 | 161,000 | 161,000 |
| JOBS | 13,866,000 | 9,894,700 | 8,821,472 |
| LTC ARIZONA TRAINING PROGRAM AT COOLIDGE | 17,018,800 | 16,709,900 | 13,915,068 |
| LTC AZ TRAINING PROGRAM COOLIDGE | 5,783,200 | 4,013,400 | 3,991,600 |
| LTC CASE MANAGEMENT | 14,471,500 | 8,611,000 | 8,559,100 |
| LTC CASE MANAGEMENT | 42,509,800 | 41,350,300 | 28,705,023 |
| LTC HOME AND COMMUNITY BASED SERVICES | 236,252,000 | 138,459,400 | 138,421,300 |
| LTC HOME AND COMMUNITY BASED SERVICES | 671,950,900 | 645,986,600 | 509,917,183 |
| LTC INSTITUTIONAL SERVICES | 15,873,000 | 21,787,500 | 16,705,294 |
| LTC INSTITUTIONAL SERVICES | 5,430,900 | 6,143,600 | 6,116,100 |
| LTC MEDICAL SERVICES | 142,813,300 | 139,089,800 | 120,585,987 |
| LTC MEDICAL SERVICES | 48,904,800 | 30,818,500 | 30,777,400 |
| LTC MEDICARE CLAWBACK PAYMENTS | 2,456,100 | 1,612,000 | 1,604,027 |
| LTC OPERATING LUMP SUM APPROPRIATION | 46,396,500 | 44,999,700 | 31,308,143 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| SPECIAL SUPPLEMENTAL APPROPRIATION | 25,000,000 | 25,000,000 | 25,000,000 |
| TRANSITIONAL CHILD CARE | 36,193,000 | 23,193,000 | 19,653,325 |
| VOCATIONAL REHABILITATION SERVICES | 4,514,400 | 3,094,400 | 3,094,400 |
| EDUCATION, DEPARTMENT OF | | | |
| ACHIEVEMENT TESTING | 7,896,600 | 5,568,382 | 5,568,382 |
| ADDITIONAL STATE AID TO SCHOOLS | 0 | 231,187,643 | 231,187,643 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 5,495 | 5,495 |
| ADULT EDUCATION ASSISTANCE | 4,477,900 | 1,698,735 | 1,698,735 |
| AIMS INTERVENTION; DROPOUT PREVENTION | 5,050,000 | 2,035,943 | 2,035,943 |
| BASIC STATE AID DEFERRED PAYMENT FY08 | 602,627,700 | 602,627,700 | 600,255,933 |
| BASIC STATE AID ENTITLEMENT | 0 | 2,233,269,457 | 2,229,249,414 |
| BASIC STATE AID REDUCED APPORTION COSTS | 886,200 | 886,200 | 0 |
| CHEMICAL ABUSE | 817,100 | 238,543 | 238,543 |
| COMPENSATORY INSTRUCTION FUND DEPOSIT | 10,000,000 | 4,863,991 | 4,863,991 |
| ENGLISH LANGUAGE ACQUISITION | 4,805,800 | 4,121,016 | 4,121,016 |
| ENGLISH LANGUAGE ACQUISITION FY06 - 07 | 793,576 | 793,576 | 414,301 |
| ENGLISH LANGUAGE INSTRUCTION | 0 | 8,791,400 | 8,791,400 |
| ENGLISH LEARNER INSTRUCTION FY04 - 05 | 0 | 0 | -477,213 |
| ENGLISH LEARNER MATERIAL | 1,805 | 1,805 | 1,734 |
| ENGLISH LEARNER TEACHER FY02 - 03 | 25,332 | 25,332 | 6,755 |
| ENGLISH LEARNER TEACHER FY04 - 05 | 461,800 | 461,800 | -197,098 |
| EXTENDED SCHOOL YEAR | 500,000 | 0 | 0 |
| FAMILY LITERACY | 1,008,700 | 360,242 | 360,242 |
| GIFTED SUPPORT | 3,377,000 | 726,809 | 726,809 |
| MATH AND SCIENCE INITIATIVES | 2,806 | 2,806 | 0 |
| NON-FORMULA PROGRAMS-OPERATING '09 | 1,095,000 | 656,572 | 656,572 |
| NON-FORMULA PROGRAMS-OPERATING '09 (TEACHER CERTIFICATION FUND) | 217,700 | 132,892 | 132,892 |
| OPERATING LUMP SUM - ADMINISTRATION | 6,469,600 | 6,100,047 | 6,100,047 |
| OPERATING LUMP SUM - FORMULA PROGRAMS | 0 | 1,735,325 | 1,735,325 |
| OPERATING LUMP SUM APPROPRIATION | 692,500 | 539,420 | 539,420 |
| OPERATING LUMP SUM APPROPRIATION (TEACHER CERTIFICATION FUND) | 453,700 | 353,726 | 353,726 |
| OPTIONAL PERFORMANCE INCENTIVE PROGRAMS | 120,000 | 0 | 0 |
| OTHER STATE AID TO DISTRICTS '07 | 0 | 983,900 | 734,395 |
| PARENTAL CHOICE FOR READING SUCCESS | 1,000,000 | 0 | 0 |
| READING FIRST INITIATIVE | 90,460 | 90,460 | -7,012 |
| SCHOOL ACCOUNTABILITY | 39,400 | 0 | 0 |
| SCHOOL SAFETY PROGRAM | 6,718,900 | 5,210,387 | 3,918,904 |
| SCHOOL SAFETY PROGRAM FY08-09 | 109,185 | 109,185 | 109,185 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| SMALL PASS-THROUGH PROGRAMS | 100,000 | 0 | 0 |
| SPECIAL EDUCATION FUND | 35,237,700 | 35,242,655 | 35,242,655 |
| STATE BLOCK GRANT FOR EARLY CHILDHED EDU | 19,438,100 | 6,515,619 | 6,515,619 |
| STATE BLOCK GRT FOR VOCATIONAL EDUCATION | 11,467,700 | 11,503,942 | 11,503,942 |
| TEACHER CERTIFICATION | 1,971,400 | 1,796,982 | 1,796,982 |
| VOCATIONAL EDUCATION EXTENDED YEAR | 600,000 | 238,472 | 238,472 |
| EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF | | | |
| 2007 MONSOONS | 0 | 275,000 | 271,954 |
| 2007 MONSOONS FY08-09 | 12,775 | 12,775 | 12,775 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,441 | 2,441 |
| ARMORY RESTROOM RENOVATION-FLAG/NOGALES | 74,840 | 74,840 | 74,840 |
| ASPEN FIRE EMERGENCY | 860,800 | 860,800 | 329,328 |
| CASH TRANSFER TO GENERAL FUND | 0 | 600 | 600 |
| CIVIL AIR PATROL | 54,700 | 0 | 0 |
| EUZ701 SEARCH & RESCUE | 0 | 200,000 | 156,714 |
| EUZ701 SEARCH FY08-09 | 24,214 | 24,214 | 23,785 |
| FEBRUARY 2005 WINTER STORMS FY06-07 | 690 | 690 | 690 |
| FEBRUARY 2005 WINTER STORMS FY07-08 | 530,029 | 530,029 | 175,062 |
| GUARDSMEN TUITION REIMBURSEMENT | 1,446,000 | 0 | 0 |
| HAZARD MATERIALS CONTINGENCY FY03-04 | 3,844 | 3,844 | 145 |
| HAZARD MATERIALS CONTINGENCY FY07-08 | 49,735 | 49,735 | 554 |
| JANUARY 2008 SEVERE PRECIPITATION FY07-08 | 145,106 | 145,106 | 87,369 |
| JANUARY 2008 SEVERE PRECIPITATION FY08-09 | 122,500 | 122,500 | 110,900 |
| JANUARY 2010 WINTER STORM | 0 | 2,225,000 | 1,322,856 |
| LA PAZ/MARICOPA COUNTIES STORM EMERGENCY | 9,240 | 9,240 | 0 |
| LA PAZ/MARICOPA COUNTIES STORM EMERGENCY FY01-02 | 57,243 | 57,243 | -13,007 |
| MILITARY GIFT PACKAGE POSTAGE | 100,000 | 0 | 0 |
| MITIGATION PROJECTS 2004 EMERGENCY FUNDS | 77,390 | 77,390 | 73 |
| NAVAJO, GILA & COCONINO CTS RODEO FIRE | 327,281 | 327,281 | 217 |
| NOGALES & 52ND STREET BLDG RENEWAL | 12,032 | 12,032 | 12,032 |
| NORTHERN ARIZONA WINTER STORM EMERGENCY FY07-08 | 9,247 | 9,247 | 9,247 |
| NORTHERN ARIZONA WINTER STORM EMERGENCY FY08-09 | 147,862 | 147,862 | 50,464 |
| NUCLEAR EMERGENCY MANAGEMENT FUND | 0 | 420,749 | 420,749 |
| NUCLEAR EMERGENCY MGMT FUND-BUCKEYE | 0 | 69,909 | 69,909 |
| NUCLEAR EMERGENCY MGMT FUND-MARICOPA | 0 | 404,459 | 404,459 |
| OFF SITE NUCLEAR EMERGENCY 89-90 | 1,708 | 1,708 | 0 |
| OPERATING LUMP SUM - ADMINISTRATION | 2,152,300 | 1,526,738 | 1,526,738 |
| OPERATING LUMP SUM - EMERGENCY MANAGEMENT | 945,400 | 749,030 | 749,030 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM - MILITARY AFFAIRS | 1,554,600 | 1,434,600 | 1,432,841 |
| OPERATION GOOD NEIGHBOR | 152,516 | 152,516 | -69 |
| PROJECT CHALLENGE PROGRAM | 1,770,100 | 1,517,732 | 1,517,732 |
| REPLACE COOLING TOWER AT ROOSEVELT | 50,000 | 50,000 | 0 |
| SEDONA FLASH FLOOD FY10 | 0 | 200,000 | 20,567 |
| SERVICE CONTRACTS | 1,215,000 | 1,215,000 | 1,215,000 |
| SUMMER 2006 MONSOONS & FLOODING FY06-07 | 176,550 | 176,550 | 170,027 |
| SUMMER 2006 MONSOONS & FLOODING FY07-08 | 729,370 | 729,370 | 135,837 |
| UNIFORM AND EQUIPMENT ALLOWANCES | 250,000 | 250,000 | 250,000 |
| ENVIRONMENTAL QUALITY, DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 76,824 | 76,824 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 540 | 540 |
| AIR QUALITY MANAGEMENT AND ANALYSIS | 381,400 | 0 | 0 |
| CASH TRANSFER TO GENERAL FUND | 0 | 5,385,600 | 5,385,600 |
| DRINKING WATER REGULATION PROGRAM | 125,700 | 0 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 12,748,200 | 10,382,700 | 593,517 |
| OPERATING LUMP SUM APPROPRIATION | 3,132,100 | 5,772,100 | 5,770,300 |
| UNDERGROUND WATER REGULATION PROGRAM | 2,026,100 | 0 | 0 |
| WASTE CONTROL AND MANAGEMENT | 1,149,700 | 0 | 0 |
| EQUAL OPPORTUNITY, GOVERNOR'S OFFICE OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 49 | 49 |
| OPERATING LUMP SUM APPROPRIATION | 212,500 | 196,400 | 191,303 |
| EQUALIZATION, STATE BOARD OF | | | |
| OPERATING LUMP SUM APPROPRIATION | 602,500 | 672,000 | 650,015 |
| EXECUTIVE CLEMENCY, BOARD OF | | | |
| OPERATING LUMP SUM APPROPRIATION | 951,600 | 879,600 | 877,708 |
| EXPOSITION & STATE FAIR BOARD, ARIZONA | | | |
| GENERAL FUND TRANSFER TO AGENCY FUND | 0 | 400,000 | 400,000 |
| FINANCIAL INSTITUTIONS, DEPARTMENT OF | | | |
| OPERATING LUMP SUM APPROPRIATION | 3,131,600 | 2,970,300 | 2,970,197 |
| FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF | | | |
| OPERATING LUMP SUM APPROPRIATION | 2,362,200 | 2,183,200 | 2,155,177 |
| FUNERAL DIRECTORS & EMBALMERS, STATE BOARD OF | | | |
| GENERAL FUND TRANSFER TO AGENCY FUND | 100,000 | 100,000 | 100,000 |
| GENERAL ACCOUNTING OFFICE | | | |
| EQUALIZATION AID - COCHISE | 7,841,800 | 7,841,800 | 7,841,800 |
| EQUALIZATION AID - GRAHAM | 17,465,400 | 17,465,400 | 17,465,400 |
| EQUALIZATION AID - NAVAJO | 6,624,000 | 6,624,000 | 6,624,000 |
| EQUALIZATION AID - YUMA LA PAZ | 2,938,300 | 2,938,300 | 2,938,300 |
| GENERAL RELIEF | 0 | 101,633 | 101,633 |

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|---------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| GENERAL RELIEF FY08-09 | 1,789 | 1,789 | 0 |
| HEALTH INSURANCE ADJUSTMENTS | 14,998,000 | 0 | 0 |
| NURSING EDUCATION DEMONSTRATION PROJECT | 0 | 3,854,500 | 3,854,500 |
| OPERATING STATE AID - COCHISE | 7,488,700 | 7,488,700 | 7,488,700 |
| OPERATING STATE AID - COCONINO | 2,679,400 | 2,679,400 | 2,679,400 |
| OPERATING STATE AID - GILA | 658,400 | 658,400 | 658,400 |
| OPERATING STATE AID - GRAHAM | 4,243,900 | 4,243,900 | 4,243,900 |
| OPERATING STATE AID - MARICOPA | 45,327,400 | 45,327,400 | 45,327,400 |
| OPERATING STATE AID - MOHAVE | 3,682,900 | 3,682,900 | 3,682,900 |
| OPERATING STATE AID - NAVAJO | 3,590,000 | 3,590,000 | 3,590,000 |
| OPERATING STATE AID - PIMA | 15,942,100 | 15,942,100 | 15,942,100 |
| OPERATING STATE AID - PINAL | 4,935,100 | 4,935,100 | 4,935,100 |
| OPERATING STATE AID - YAVAPAI | 4,196,000 | 4,196,000 | 4,196,000 |
| OPERATING STATE AID - YUMA LA PAZ | 4,812,900 | 4,812,900 | 4,812,900 |
| RURAL COUNTY REIMBURSEMENT SUBSIDY | 0 | 1,000,000 | 1,000,000 |
| TRANSFER TO TOURISM FUND | 0 | 2,767,080 | 2,767,080 |
| TREASURER'S WARRANT NOTES INTEREST AND OTHER FEES | 0 | 3,885,751 | 3,885,751 |
| WOOLSEY FLOOD DISTRICT | 0 | 36,095 | 36,095 |
| GEOLOGICAL SURVEY, ARIZONA | | | |
| OPERATING LUMP SUM APPROPRIATION | 866,400 | 800,900 | 800,900 |
| GOVERNMENT INFORMATION TECHNOLOGY AGENCY | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 4,812 | 4,812 |
| CASH TRANSFER TO GENERAL FUND | 0 | 678,900 | 678,900 |
| CASH TRANSFER TO GENERAL FUND CH12 S44 | 0 | 1,100,000 | 1,100,000 |
| OPERATING LUMP SUM APPROPRIATION | 0 | 3,900,000 | 117,069 |
| OPERATING LUMP SUM APPROPRIATION | 0 | 2,417,000 | 2,086,473 |
| PS COMM SYSTEMS - INTEROPERABILITY | 358,501 | 0 | 0 |
| PUBLIC SAFETY COMMUNICATIONS PROGRAM | 0 | 756,700 | 488,106 |
| SW INFORMATION SECURITY & PRIVACY OFFICE | 0 | 819,700 | 675,119 |
| GOVERNOR, OFFICE OF THE | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,112 | 2,112 |
| OPERATING LUMP SUM APPROPRIATION | 7,384,900 | 7,036,300 | 6,181,860 |
| OPERATING LUMP SUM APPROPRIATION FY06-07 | 6,613 | 6,613 | 0 |
| OPERATING LUMP SUM APPROPRIATION FY07-08 | 130,325 | 130,325 | -91,763 |
| OPERATING LUMP SUM APPROPRIATION FY08-09 | 1,065,133 | 1,065,133 | 810,068 |
| OPERATING LUMP SUM APPROPRIATION-OSPB | 2,149,600 | 1,990,600 | 1,935,286 |
| HEALTH SERVICES, DEPARTMENT OF | | | |
| ADHS INDIRECT COSTS AHCCCS - CRS | 350,000 | 350,000 | 350,000 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,867 | 1,867 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|--------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,494,974 | 1,494,974 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,935 | 1,935 |
| ADULT CYSTIC FIBROSIS | 105,200 | 105,200 | 105,200 |
| ADULT SICKLE CELL ANEMIA | 33,000 | 0 | 0 |
| AGENCY WIDE OPERATING LUMP SUM APPN | 1,578,000 | 0 | 0 |
| AHCCCS - CHILDRENS REHABILITATIVE SERVICES | 49,100,200 | 67,641,497 | 0 |
| AHCCCS - CHILDRENS REHABILITATIVE SERVICES | 25,576,900 | 22,570,222 | 22,570,222 |
| AIDS REPORTING AND SURVEILLANCE | 1,125,000 | 1,000,000 | 1,000,000 |
| ALZHEIMER DISEASE RESEARCH | 2,250,000 | 2,250,000 | 2,250,000 |
| ARNOLD V. SARN | 27,500,000 | 27,500,000 | 27,499,686 |
| ARNOLD V. SARN | 9,600,600 | 9,600,600 | 0 |
| ASH CORRECTIVE ACTION PLAN SUPPLEMENTAL | 398,060 | 398,060 | 0 |
| ASH FORENSIC UNIT DEBT SERVICE | 3,111,700 | 3,111,700 | 3,111,700 |
| ASSURANCE AND LICENSURE | 340,200 | 321,900 | 313,986 |
| ASSURANCE AND LICENSURE | 4,651,300 | 4,162,740 | 3,864,607 |
| ASSURANCE AND LICENSURE | 829,200 | 832,200 | 648,109 |
| ASSURANCE AND LICENSURE | 950,200 | 954,700 | 0 |
| ATTORNEY GENERAL LEGAL SERVICES | 394,900 | 371,206 | 371,206 |
| AZ STATEWIDE IMMUNIZATION INFO SYSTEM | 477,600 | 219,985 | 215,458 |
| BREAST AND CERVICAL CANCER SCREENING | 1,015,800 | 1,348,600 | 944,674 |
| CASH TRANSFER TO GENERAL FUND | 0 | 20,900 | 20,900 |
| CASH TRANSFER TO GENERAL FUND | 0 | 444,400 | 444,400 |
| CASH TRANSFER TO GENERAL FUND | 0 | 24,700 | 24,700 |
| CASH TRANSFER TO GENERAL FUND | 0 | 2,000,800 | 2,000,800 |
| CHILDREN'S BEHAVIORAL HEALTH SERVICES | 8,851,800 | 4,097,251 | 4,097,251 |
| CHILDREN'S BH STATE MATCH FOR TITLE XIX | 267,755,500 | 322,271,807 | 0 |
| CHILDREN'S BH STATE MATCH FOR TITLE XIX | 139,446,300 | 101,632,879 | 101,632,879 |
| CHILDREN'S REHABILITATIVE SERVICES | 3,587,000 | 0 | 0 |
| COMMUNITY HEALTH CENTERS | 981,400 | 0 | 0 |
| COMMUNITY PLACEMENT TREATMENT | 1,130,700 | 1,130,700 | 0 |
| COMMUNITY PLACEMENT TREATMENT | 5,574,100 | 0 | 0 |
| CONTRACT COMPLIANCE | 3,667,400 | 3,679,100 | 0 |
| CONTRACT COMPLIANCE | 1,856,100 | 1,182,700 | 1,182,700 |
| COUNTY PRENATAL SERVICES GRANT | 1,033,600 | 0 | 0 |
| COUNTY TUBERCULOSIS PROVIDER CARE & CTL | 1,210,500 | 591,692 | 510,485 |
| COURT MONITORING | 197,500 | 98,750 | 98,750 |
| DIABETES PREVENTION AND CONTROL | 100,000 | 0 | 0 |
| DIRECT GRANTS | 460,300 | 0 | 0 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| DUAL ELIGIBLE PART D COPAY SUBSIDY | 802,600 | 0 | 0 |
| ELECTRONIC MEDICAL RECORDS | 300,000 | 0 | 0 |
| HEPATITIS C SURVEILLANCE | 309,400 | 0 | 0 |
| HIGH RISK PERINATAL SERVICES | 4,780,600 | 2,093,362 | 1,404,861 |
| INDIRECT COST FUND | 8,075,700 | 6,969,600 | 6,399,478 |
| LABORATORY SERVICES | 4,088,600 | 3,747,497 | 3,344,191 |
| LOAN REPAYMENT | 100,000 | 0 | 0 |
| MEDICAID SPECIAL EXEMPTION PAYMENTS | 1,091,100 | 1,393,417 | 0 |
| MEDICAID SPECIAL EXEMPTION PAYMENTS BHS | 15,187,100 | 17,306,043 | 0 |
| MEDICAID SPECIAL EXEMPTION PAYMENTS BHS | 7,909,400 | 7,909,400 | 7,909,400 |
| MEDICAID SPECIAL EXEMPTION PAYMENTS CFHS | 568,400 | 568,400 | 568,400 |
| MEDICARE CLAWBACK PAYMENTS | 11,932,800 | 7,831,800 | 7,792,936 |
| MENTAL HEALTH - NON-TITLE XIX | 1,947,300 | 777,205 | 777,205 |
| MENTAL HLTH & SUBST ABUSE ST MCH T-XIX | 79,606,600 | 83,712,100 | 0 |
| MENTAL HLTH & SUBST ABUSE ST MCH T-XIX | 37,858,800 | 33,968,700 | 33,968,700 |
| OPERATING LUMP SUM APPROPRIATION | 1,000,000 | 857,900 | 857,900 |
| OPERATING LUMP SUM APPROPRIATION | 3,622,500 | 2,491,475 | 2,402,646 |
| OPERATING LUMP SUM APPROPRIATION | 2,181,000 | 2,190,400 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 5,063,900 | 5,085,800 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 14,251,600 | 12,733,962 | 12,293,482 |
| OPERATING LUMP SUM APPROPRIATION | 4,454,200 | 3,724,017 | 3,719,854 |
| OPERATING LUMP SUM APPROPRIATION | 47,733,600 | 45,278,027 | 44,981,124 |
| OPERATING LUMP SUM APPROPRIATION | 5,379,700 | 3,818,486 | 3,756,989 |
| OPERATING LUMP SUM APPROPRIATION | 7,879,300 | 7,879,300 | 7,178,823 |
| OPERATING LUMP SUM APPROPRIATION | 1,578,000 | 1,578,000 | 1,550,127 |
| POISON CONTROL CENTER FUNDING | 1,950,000 | 990,000 | 990,000 |
| PROP 204 ADMINISTRATION TXIX MATCH | 4,404,600 | 4,404,600 | 0 |
| PROP 204 ADMINISTRATION TXIX MATCH | 2,130,200 | 2,130,200 | 2,130,200 |
| PROP 204 CHILDRENS BHS TXIX MATCH | 1,745,700 | 1,262,866 | 1,262,866 |
| PROP 204 CHILDRENS BHS TXIX MATCH | 3,351,900 | 3,988,534 | 0 |
| PROP 204 GMH/SA TXIX MATCH | 41,483,900 | 37,317,911 | 37,317,911 |
| PROP 204 GMH/SA TXIX MATCH | 79,654,600 | 120,804,229 | 0 |
| PROP 204 SMI TXIX MATCH | 153,643,700 | 224,031,836 | 0 |
| PROP 204 SMI TXIX MATCH | 80,017,200 | 61,519,664 | 61,519,664 |
| REG HA DISPENSERS-AUDIOLOGISTS-SL PATHOL | 62,243 | 62,243 | 0 |
| REIMBURSEMENT TO COUNTIES | 67,900 | 0 | 0 |
| RENAL & NON-RENAL DISEASE MANAGEMENT | 198,000 | 198,000 | 198,000 |
| SCORPION ANTIVENOM | 150,000 | 120,000 | 112,500 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| SENIOR FOOD PROGRAM | 500,000 | 0 | 0 |
| SERIOUSLY MENTALLY ILL NON-TXIX | 30,191,900 | 25,124,898 | 25,124,897 |
| SERIOUSLY MENTALLY ILL STATE MATCH FOR TXIX | 79,165,500 | 48,943,932 | 48,943,932 |
| SERIOUSLY MENTALLY ILL STATE MATCH FOR TXIX | 152,008,500 | 174,321,463 | 0 |
| SEXUALLY VIOLENT PERSONS | 8,480,700 | 7,421,312 | 7,241,297 |
| SEXUALLY VIOLENT PERSONS | 2,149,500 | 2,149,500 | 1,508,611 |
| SUBSTANCE ABUSE - NON TITLE XIX | 11,135,400 | 3,881,735 | 2,808,685 |
| TANF PERINATAL SERVICES | 47,270 | 47,270 | 0 |
| TELEMEDICINE | 260,000 | 0 | 0 |
| TERATOGEN PROGRAM | 60,000 | 0 | 0 |
| VACCINES | 6,132,900 | 0 | 0 |
| VITAL RECORDS - ARCHIVING, CUST SVC, OPS | 16,165 | 16,165 | 16,165 |
| VITAL RECORDS MAINTENANCE | 499,700 | 433,700 | 433,700 |
| HIGHWAY SAFETY, GOVERNOR'S OFFICE OF | | | |
| CASH TRANSFER TO GENERAL FUND | 0 | 100,000 | 100,000 |
| HISTORICAL SOCIETY OF ARIZONA, PRESCOTT | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 37,606 | 37,606 |
| OPERATING LUMP SUM APPROPRIATION | 692,000 | 691,300 | 614,735 |
| HISTORICAL SOCIETY, ARIZONA | | | |
| FIELD SERVICES AND GRANTS | 65,000 | 65,000 | 65,000 |
| OPERATING LUMP SUM APPROPRIATION | 2,429,800 | 2,089,700 | 2,089,700 |
| PAPAGO PARK MUSEUM | 1,936,100 | 1,713,600 | 1,713,600 |
| PAPAGO PARK MUSEUM | 194,200 | 194,200 | 194,200 |
| HOUSE OF REPRESENTATIVES | | | |
| OPERATING LUMP SUM APPROPRIATION | 13,653,400 | 12,987,700 | 11,892,637 |
| OPERATING LUMP SUM APPROPRIATION FY05-06 | 600,546 | 100,546 | 100,546 |
| OPERATING LUMP SUM APPROPRIATION FY06-07 | 1,997,206 | 497,206 | 497,206 |
| OPERATING LUMP SUM APPROPRIATION FY07-08 | 1,699,338 | 1,699,338 | 108,805 |
| OPERATING LUMP SUM APPROPRIATION FY08-09 | 1,663,669 | 1,663,669 | -579,617 |
| INDEPENDENT REDISTRICTING COMMISSION | | | |
| OPERATING LUMP SUM FY 03 - 04 | 674,137 | 674,137 | 26,109 |
| INDIAN AFFAIRS, ARIZONA COMMISSION OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,176 | 1,176 |
| OPERATING LUMP SUM APPROPRIATION | 126,600 | 117,100 | 116,262 |
| INSURANCE, DEPARTMENT OF | | | |
| CASH TRANSFER TO GENERAL FUND CH12 S44 | 0 | 428,900 | 428,900 |
| OPERATING LUMP SUM APPROPRIATION | 7,369,700 | 5,619,400 | 5,572,802 |
| JOINT LEGISLATIVE BUDGET COMMITTEE | | | |
| OPERATING LUMP SUM APPROPRIATION | 2,734,000 | 2,545,200 | 1,046,176 |
| OPERATING LUMP SUM APPROPRIATION FY08-09 | 1,232,225 | 1,191,925 | 1,185,325 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| JUVENILE CORRECTIONS, DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 62,500 | 62,500 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 346,119 | 346,119 |
| CASH TRANSFER TO GENERAL FUND | 0 | 422,400 | 422,400 |
| OPERATING LUMP SUM APPROPRIATION | 66,629,500 | 63,284,100 | 62,422,259 |
| OPERATING LUMP SUM APPROPRIATION | 2,447,400 | 2,281,000 | 1,482,874 |
| LAND DEPARTMENT, STATE | | | |
| CAP USER FEES | 1,263,300 | 481,200 | 481,140 |
| DUE DILIGENCE FUND | 500,000 | 500,000 | 7,075 |
| ENVIRONMENTAL COUNTY GRANTS | 75,000 | 75,000 | 75,000 |
| FIRE SUPPRESSION OPERATING EXPENSES | 2,713,200 | 2,556,000 | 2,556,000 |
| INMATE FIRE CREWS | 1,208,700 | 641,900 | 641,900 |
| NATURAL RESOURCE CONSERVATION DISTRICTS | 390,000 | 390,000 | 380,565 |
| OPERATING LUMP SUM APPROPRIATION | 14,796,800 | 10,013,700 | 10,011,362 |
| SERVICE FEES INCREASE | 0 | 600,000 | 456,732 |
| LAW ENFORCEMENT MERIT SYSTEM COUNCIL | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 124 | 124 |
| OPERATING LUMP SUM APPROPRIATION | 76,900 | 71,800 | 71,800 |
| LEGISLATIVE COUNCIL | | | |
| ARIZONA CENTENNIAL CELEBRATION | 2,450,000 | 0 | 0 |
| OMBUDSMAN-CITIZENS AID OFFICE | 612,400 | 548,645 | 420,667 |
| OMBUDSMAN-CITIZENS AID OFFICE FY07 - 08 | 22,121 | 22,121 | 21,879 |
| OMBUDSMAN-CITIZENS AID OFFICE FY08- 09 | 61,540 | 61,540 | 56,088 |
| OPERATING LUMP SUM APPROPRIATION | 4,802,300 | 4,301,855 | 3,763,222 |
| OPERATING LUMP SUM APPROPRIATION FY06-07 | 225,573 | 225,573 | 225,573 |
| OPERATING LUMP SUM APPROPRIATION FY07-08 | 2,946 | 2,946 | 2,946 |
| OPERATING LUMP SUM APPROPRIATION FY08-09 | 20,206 | 20,206 | 20,206 |
| OPERATING LUMP SUM APPROPRIATION FY99-00 | 140,359 | 140,359 | 138,507 |
| STATE ARCHIVES AND HISTORY BUILDING | 516,964 | 516,964 | 110,108 |
| STATE ARCHIVES AND HISTORY BUILDING | 837,769 | 837,769 | 43,240 |
| LIBRARY, ARCHIVES, AND PUBLIC RECORDS, ARIZONA STATE | | | |
| CASH TRANSFER TO GENERAL FUND | 0 | 124,900 | 124,900 |
| GRANTS-IN-AID | 651,400 | 651,400 | 498,736 |
| GRANTS-IN-AID FY07 - 08 | 67,818 | 67,818 | 67,818 |
| GRANTS-IN-AID FY08-09 | 106,697 | 106,697 | 37,111 |
| HISTORICAL ADVISORY COMMISSION | 41,279 | 41,279 | 13,516 |
| OPERATING LUMP SUM APPROPRIATION | 49,058 | 49,058 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 6,630,500 | 5,686,160 | 5,686,160 |
| OPERATING LUMP SUM APPROPRIATION | 675,900 | 678,800 | 605,624 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM APPROPRIATION FY07-08 | 1 | 1 | 0 |
| OPERATING LUMP SUM APPROPRIATION FY07-08 | 76,848 | 76,848 | 0 |
| OPERATING LUMP SUM APPROPRIATION FY08-09 | 1 | 1 | 1 |
| STATEWIDE RADIO READING SVC FOR BLIND | 97,000 | 97,000 | 97,000 |
| LIQUOR, LICENSES & CONTROL, DEPARTMENT OF | | | |
| CASH TRANSFER TO GENERAL FUND | 0 | 214,700 | 214,700 |
| IMPROVEMENT OF DATA PROCESSING SYSTEM | 150,766 | 150,766 | 45,778 |
| OPERATING LUMP SUM APPROPRIATION | 2,141,000 | 1,945,100 | 1,916,469 |
| OPERATING LUMP SUM APPROPRIATION | 700,000 | 702,700 | 702,700 |
| MEDICAL STUDENT LOANS, BOARD OF | | | |
| MEDICAL STUDENT FINANCIAL ASSISTANCE | 866,900 | 801,900 | 801,900 |
| MEDICAL STUDENT FINANCIAL ASSISTANCE | 309,800 | 309,800 | 0 |
| MEDICAL STUDENT FINANCIAL ASSISTANCE | 47,000 | 47,000 | 25,599 |
| MEDICAL STUDENT FINANCIAL ASSISTANCE | 377,704 | 377,704 | 31,149 |
| MINE INSPECTOR, STATE | | | |
| ABANDONED MINE SAFETY DEPOSIT FROM GF | 182,000 | 154,785 | 152,709 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,369 | 1,369 |
| OPERATING LUMP SUM APPROPRIATION | 1,386,400 | 1,005,515 | 980,764 |
| MINES & MINERAL RESOURCES, DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,051 | 1,051 |
| OPERATING LUMP SUM APPROPRIATION | 858,600 | 858,200 | 858,175 |
| NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 14,926 | 14,926 |
| OPERATING LUMP SUM APPROPRIATION | 147,400 | 136,200 | 113,511 |
| NORTHERN ARIZONA UNIVERSITY | | | |
| NAU - YUMA | 3,408,418 | 2,660,042 | 2,660,042 |
| OPERATING LUMP SUM APPROPRIATION | 164,176,308 | 106,320,882 | 106,320,882 |
| RESEARCH INFRASTRUCTURE FACILITIES | 0 | 6,883,334 | 6,883,334 |
| TEACHER TRAINING | 2,333,600 | 2,001,163 | 2,001,163 |
| NURSING, STATE BOARD OF | | | |
| GENERAL FUND REPAYMENT | 300,000 | 300,000 | 0 |
| OCCUPATIONAL SAFETY & HEALTH REVIEW BOARD | | | |
| LUMP SUM APPROPRIATION FY00 - 01 | 0 | 1,000 | 1,000 |
| LUMP SUM APPROPRIATION FY02 - 03 | 0 | 4,800 | 4,800 |
| LUMP SUM APPROPRIATION FY03 - 04 | 0 | 4,800 | 4,800 |
| LUMP SUM APPROPRIATION FY99 - 00 | 0 | 1,000 | 1,000 |
| OPERATING LUMP SUM APPROPRIATION | 0 | 4,800 | 4,800 |
| OPERATING LUMP SUM APPROPRIATION FY98-99 | 0 | 2,796 | 2,796 |
| OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF | | | |
| GENERAL FUND REPAYMENT | 100,000 | 100,000 | 0 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|---------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| PARKS BOARD, ARIZONA STATE | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 341 | 341 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 11,504 | 11,504 |
| CASH TRANSFER TO GENERAL FUND | 0 | 5,487,100 | 5,487,100 |
| GENERAL FUND REPAYMENT | 1,900,000 | 1,900,000 | 0 |
| GENERAL FUND TRANSFER TO AGENCY FUND | 0 | 213,900 | 213,900 |
| KARTCHNER CAVERNS STATE PARK | 2,186,600 | 1,639,950 | 1,431,227 |
| LAND CONSERVATION FUND-GENERAL FUND | 0 | 20,000,000 | 20,000,000 |
| OPERATING LUMP SUM APPROPRIATION | 13,632,200 | 6,191,250 | 5,681,993 |
| TONTO LODGE ROOF REPLACEMENT | 99,498 | 99,498 | 99,498 |
| PERSONNEL BOARD | | | |
| OPERATING LUMP SUM APPROPRIATION | 329,100 | 329,100 | 278,922 |
| PHARMACY, ARIZONA STATE BOARD OF | | | |
| GENERAL FUND REPAYMENT | 200,000 | 200,000 | 0 |
| POSTSECONDARY EDUCATION, COMMISSION FOR | | | |
| CASE MANAGERS | 100,000 | 75,000 | 75,000 |
| LEVERAGING EDUCATIONAL ASSISTANCE PRTSHP | 1,220,800 | 1,220,800 | 1,220,800 |
| POSTSECONDARY EDUCATION GRANT PROGRAM | 2,656,600 | 2,422,300 | 2,421,759 |
| PRIV POSTSECONDARY ED STU FIN ASST PROG | 400,000 | 323,900 | 323,900 |
| PSYCHOLOGIST EXAMINERS, STATE BOARD OF | | | |
| GENERAL FUND TRANSFER TO AGENCY FUND | 300,000 | 300,000 | 300,000 |
| PUBLIC SAFETY, DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 4,700 | 4,700 |
| CASH TRANSFER TO GENERAL FUND | 0 | 22,300 | 22,300 |
| CASH TRANSFER TO GENERAL FUND | 0 | 2,780,000 | 2,780,000 |
| DPS CARPET REPLACEMENT PROJECT-BLDG REWL | 53 | 53 | 0 |
| DPS HEADQUARTERS FIRE ALARM | 18,503 | 18,503 | 0 |
| FY05 BUILDING RENEWAL- PROJ 915015 | 384 | 384 | 384 |
| FY06 BUILDING RENEWAL- PROJ 916003 | 217 | 217 | 201 |
| FY07 BUILDING RENEWAL - PROJ 917051 | 4,569 | 4,569 | 0 |
| FY09 BUILDING RENEWAL - PROJ 919010 | 0 | 7,849 | 7,849 |
| FY09 BUILDING RENEWAL - PROJ 919011 | 0 | 8,704 | 8,704 |
| GIITEM | 18,794,000 | 18,774,000 | 17,407,571 |
| GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT | 2,603,400 | 2,603,400 | 271,118 |
| GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY08-09 | 3,993,113 | 3,993,113 | 3,993,112 |
| MICROWAVE COMMUNICATION SYSTEM | 852,015 | 852,015 | 213,173 |
| MICROWAVE COMMUNICATION SYSTEM FY07-08 | 479,000 | 0 | 0 |
| MICROWAVE COMMUNICATION SYSTEM FY08-09 | 1,200,000 | 0 | 0 |
| MOTOR VEHICLE FUEL | 3,704,200 | 3,704,200 | 3,695,960 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM APPROPRIATION | 10,400,000 | 9,620,000 | 6,514,800 |
| OPERATING LUMP SUM APPROPRIATION | 41,050,500 | 41,256,000 | 41,256,000 |
| OPERATING LUMP SUM APPROPRIATION | 205,000 | 205,000 | 205,000 |
| OPERATING LUMP SUM APPROPRIATION | 1,615,600 | 1,504,600 | 1,504,600 |
| OPERATING LUMP SUM APPROPRIATION | 296,200 | 296,200 | 278,640 |
| OPERATING LUMP SUM APPROPRIATION | 78,169,500 | 78,626,200 | 78,626,200 |
| OPERATING LUMP SUM APPROPRIATION | 27,111,900 | 18,487,600 | 18,487,600 |
| STATEWIDE INTEROPERABILITY - PHASE II FY04-05 | 358,501 | 0 | 0 |
| RACING, ARIZONA DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 380 | 380 |
| ARIZONA BREEDERS AWARD | 800,000 | 574,400 | 151,972 |
| ARIZONA STALLION AWARD | 100,000 | 39,600 | 0 |
| COUNTY FAIR LIVESTOCK AND AGRICULTURAL | 1,779,500 | 1,779,500 | 1,779,500 |
| COUNTY FAIR RACING | 400,000 | 400,000 | 340,163 |
| COUNTY FAIRS RACING BETTERMENT | 900,000 | 725,600 | 519,400 |
| OPERATING LUMP SUM APPROPRIATION | 2,035,500 | 2,089,900 | 2,034,926 |
| RACING ADMINISTRATION | 67,000 | 67,000 | 42,767 |
| RADIATION REGULATORY AGENCY | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 108 | 108 |
| CASH TRANSFER TO GENERAL FUND | 0 | 400 | 400 |
| NUCLEAR EMERGENCY MANAGEMENT FUND | 0 | 627,991 | 627,991 |
| OPERATING LUMP SUM APPROPRIATION | 855,300 | 788,800 | 788,799 |
| SERVICE FEES INCREASE | 0 | 500,000 | 305,896 |
| RANGERS' PENSIONS, ARIZONA | | | |
| OPERATING LUMP SUM APPROPRIATION | 14,000 | 14,000 | 14,000 |
| REAL ESTATE DEPARTMENT, STATE | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 930 | 930 |
| OPERATING LUMP SUM APPROPRIATION | 3,266,400 | 3,018,600 | 3,007,956 |
| REGENTS, ARIZONA BOARD OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 4,038,851 | 4,038,851 |
| ARIZONA TEACHERS INCENTIVE PROGRAM | 90,000 | 90,000 | 90,000 |
| AZ TRANSFER ARTICULATION SUPPORT SYSTEM | 213,700 | 213,700 | 213,700 |
| MATH AND SCIENCE TEACHER INITIATIVE | 2,000,000 | 181,600 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 2,398,500 | 2,472,800 | 2,472,040 |
| STUDENT FINANCIAL ASSISTANCE | 10,041,200 | 10,041,200 | 10,041,200 |
| WESTERN INTERSTATE COMMISSION OFFICE | 120,000 | 125,000 | 125,000 |
| WICHE STUDENT SUBSIDIES | 4,111,000 | 4,102,300 | 4,095,471 |
| REVENUE, DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 69,034 | 69,034 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| BRITS OPERATIONAL SUPPORT | 0 | 2,000,000 | 1,999,933 |
| BRITS OPERATIONS | 3,623,700 | 3,623,700 | 3,623,638 |
| CASH TRANSFER TO GENERAL FUND | 0 | 386,800 | 386,800 |
| CASH TRANSFER TO GENERAL FUND | 0 | 1,419,300 | 1,419,300 |
| CASH TRANSFER TO GENERAL FUND | 0 | 1,837,500 | 1,837,500 |
| OPERATING LUMP SUM APPROPRIATION | 398,300 | 401,200 | 359,099 |
| OPERATING LUMP SUM APPROPRIATION | 24,500,000 | 19,699,300 | 17,225,512 |
| OPERATING LUMP SUM APPROPRIATION | 47,188,600 | 30,889,700 | 30,861,989 |
| TAX CREDIT ADMINISTRATION | 0 | 30,000 | 30,000 |
| TEMPORARY COLLECTORS | 3,000,000 | 3,000,000 | 2,999,998 |
| UNCLAIMED PROPERTY ADMINISTRATION/AUDIT | 2,963,200 | 2,963,200 | 2,110,856 |
| SCHOOL FACILITIES BOARD | | | |
| BUILDING RENEWAL GRANT | 3,000,000 | 2,667,900 | 2,667,900 |
| NEW SCHOOL FACILITIES DEBT SERVICE | 108,683,300 | 100,683,300 | 100,683,300 |
| OPERATING LUMP SUM APPROPRIATION | 1,948,800 | 1,427,100 | 1,422,453 |
| SECRETARY OF STATE | | | |
| ELECTION SERVICES | 1,011,000 | 1,039,140 | 803,773 |
| HELP AMERICA VOTE ACT - FEDERAL FUNDS | 7,722,800 | 7,722,800 | 2,562,683 |
| HELP AMERICA VOTE ACT - FEDERAL FUNDS FY08-09 | 3,695,990 | 3,695,990 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 98,200 | 98,900 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 2,619,700 | 2,572,400 | 2,462,055 |
| SPECIAL ELECTION | 8,346,900 | 8,346,900 | 3,762,358 |
| SENATE | | | |
| OPERATING LUMP SUM APPROPRIATION | 8,635,000 | 8,234,800 | 7,524,396 |
| OPERATING LUMP SUM APPROPRIATION FY07-08 | 714,032 | 714,032 | 714,032 |
| OPERATING LUMP SUM APPROPRIATION FY08-09 | 910,967 | 910,967 | 336,336 |
| SUPREME COURT | | | |
| 4TH FLOOR CHILLER | 2,528 | 2,528 | 0 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,138 | 1,138 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 13,578 | 13,578 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 76,715 | 76,715 |
| ADOA BUILDING RENEWAL FUND | 0 | 51,928 | 50,606 |
| ADOA BUILDING RENEWAL FUND | 123,541 | 123,541 | 123,541 |
| ADULT INTENSIVE PROBATION | 178,200 | 0 | 0 |
| ADULT INTENSIVE PROBATION | 11,152,300 | 10,772,000 | 10,579,376 |
| ADULT STANDARD PROBATION | 1,432,400 | 0 | 0 |
| ADULT STANDARD PROBATION | 13,618,700 | 13,566,300 | 13,382,881 |
| AUTOMATION | 4,539,000 | 4,473,500 | 2,605,035 |
| AUTOMATION | 7,776,700 | 7,780,500 | 7,657,664 |

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| CASE AND CASH MANAGEMENT SYSTEM | 151,700 | 151,700 | 2,015 |
| CASE AND CASH MANAGEMENT SYSTEM | 5,865,600 | 5,865,600 | 5,822,576 |
| CASH TRANSFER TO GENERAL FUND | 0 | 117,900 | 117,900 |
| CASH TRANSFER TO GENERAL FUND | 0 | 1,597,900 | 1,597,900 |
| COMMISSION ON JUDICIAL CONDUCT | 436,900 | 434,800 | 415,908 |
| COMMUNITY PUNISHMENT | 540,900 | 0 | 0 |
| COUNTY REIMBURSEMENTS | 208,800 | 187,900 | 187,900 |
| COURT APPOINTED SPECIAL ADVOCATE | 102,000 | 102,000 | 102,000 |
| CRTS BLDG DESIGN CHILLER & THERMAL STORG | 18,190 | 18,190 | 11,955 |
| DOMESTIC RELATIONS | 586,500 | 545,600 | 527,191 |
| DRUG COURT | 1,013,600 | 975,379 | 951,218 |
| DRUG COURT FY06 - 07 | 61,322 | 61,322 | 0 |
| FOSTER CARE REVIEW BOARD | 2,430,400 | 2,626,400 | 2,432,529 |
| INTERSTATE COMPACT | 654,200 | 650,900 | 633,854 |
| JUDGES COMPENSATION | 19,298,600 | 16,318,400 | 16,128,223 |
| JUDICIAL NOMINATION & PERFORMANCE REVIEW | 323,300 | 333,800 | 333,150 |
| JUVENILE DIVERSION CONSEQUENCES | 10,160,300 | 9,024,900 | 9,024,900 |
| JUVENILE FAMILY COUNSELING | 660,400 | 660,400 | 637,982 |
| JUVENILE INTENSIVE PROBATION | 9,882,100 | 8,989,900 | 8,894,361 |
| JUVENILE STANDARD PROBATION | 4,724,200 | 4,814,300 | 4,780,648 |
| JUVENILE TREATMENT SERVICES | 22,493,300 | 22,358,900 | 22,148,270 |
| MODEL COURT | 447,600 | 447,600 | 442,569 |
| OPERATING LUMP SUM APPROPRIATION | 702,900 | 705,800 | 600,401 |
| OPERATING LUMP SUM APPROPRIATION | 2,861,500 | 2,863,200 | 2,850,714 |
| OPERATING LUMP SUM APPROPRIATION | 12,821,900 | 12,570,500 | 12,515,385 |
| PROBATION SURCHARGE | 3,421,500 | 5,032,100 | 3,228,021 |
| SEX OFFENDERS GPS MONITORING | 436,600 | 0 | 0 |
| SPECIAL WATER MASTER | 20,000 | 58,221 | 58,221 |
| STATE AID | 40,400 | 0 | 0 |
| TAX APPEALS, STATE BOARD OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 226 | 226 |
| OPERATING LUMP SUM APPROPRIATION | 278,300 | 258,500 | 252,752 |
| TOURISM, OFFICE OF | | | |
| CITY OF YUMA - ARIZONA WELCOME CENTER | 208,189 | 208,189 | 0 |
| GENERAL FUND TRANSFER TO AGENCY FUND | 200,000 | 200,000 | 200,000 |
| TRANSPORTATION, DEPARTMENT OF | | | |
| OPERATING LUMP SUM APPROPRIATION | 63,100 | 58,400 | 57,404 |
| TREASURER, STATE | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 36,880 | 36,880 |

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| COM COL REIMBURSEMENT ARS 15-1469.01 | 0 | 3,866,264 | 3,866,264 |
| CORPORATE INCOME TAX TRANSFER | 7,000,000 | 7,000,000 | 7,000,000 |
| JUSTICE OF THE PEACE SALARIES | 1,115,100 | 1,115,100 | 1,022,969 |
| OPERATING LUMP SUM APPROPRIATION | 2,491,500 | 2,491,700 | 2,487,920 |
| OPERATING LUMP SUM APPROPRIATION | 88,300 | 88,300 | 88,137 |
| TRANSFER TO TOURISM FUND | 0 | 14,743,293 | 11,055,200 |
| UNIVERSITY OF ARIZONA | | | |
| AGRICULTURE | 37,949,550 | 27,189,450 | 27,189,450 |
| ARIZONA COOPERATIVE EXTENSION | 14,181,884 | 10,729,509 | 10,729,509 |
| CLINICAL RURAL ROTATION | 474,900 | 360,683 | 360,683 |
| CLINICAL TEACHING SUPPORT | 10,848,350 | 8,142,353 | 8,142,353 |
| LIVER RESEARCH INSTITUTE | 598,617 | 455,271 | 455,271 |
| OPERATING LUMP SUM - HEALTH SCIENCES CTR | 61,454,967 | 46,940,054 | 46,940,054 |
| OPERATING LUMP SUM - MAIN CAMPUS | 297,818,874 | 182,447,044 | 182,447,043 |
| PHOENIX MEDICAL CAMPUS | 13,592,134 | 9,861,865 | 9,861,865 |
| RESEARCH INFRASTRUCTURE FACILITIES | 0 | 14,253,000 | 14,253,000 |
| SIERRA VISTA CAMPUS | 4,161,667 | 2,852,967 | 2,852,967 |
| TELEMEDICINE NETWORK | 2,440,017 | 1,849,861 | 1,849,861 |
| VETERANS' SERVICES, DEPARTMENT OF | | | |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,916 | 2,916 |
| ARIZONA STATE VETERANS' HOME | 2,855,000 | 1,546,000 | 1,544,504 |
| MILITARY FAMILY RELIEF FUND | 15,291 | 15,291 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 2,107,000 | 2,159,100 | 2,158,497 |
| SOUTHERN ARIZONA CEMETERY | 279,100 | 281,400 | 281,394 |
| TUCSON VETERAN HOME CONSTRUCTION | 10,000,000 | 10,000,000 | 2,191,882 |
| VETERANS BENEFIT COUNSELING | 2,904,800 | 2,980,900 | 2,970,333 |
| VETERANS' ORGANIZATIONS CONTRACTS | 29,200 | 29,200 | 18,000 |
| VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE | | | |
| GENERAL FUND TRANSFER TO AGENCY FUND | 250,000 | 250,000 | 250,000 |
| WATER RESOURCES, DEPARTMENT OF | | | |
| ADJUDICATION SUPPORT | 2,106,100 | 1,256,236 | 1,254,510 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 18,770 | 18,770 |
| ASSURED & ADEQUATE WATER SUPPLY ADMIN | 1,873,300 | 1,562,109 | 1,560,389 |
| AUTOMATED GROUNDWATER MONITORING | 506,300 | 352,194 | 345,639 |
| CONSERVATION AND DROUGHT PROGRAM | 491,600 | 359,936 | 359,926 |
| OPERATING LUMP SUM APPROPRIATION | 15,946,700 | 12,569,843 | 12,551,693 |
| RURAL WATER STUDIES | 763,828 | 763,828 | 763,828 |
| RURAL WATER STUDIES | 2,007,100 | 773,682 | 765,640 |
| WEIGHTS AND MEASURES, DEPARTMENT OF | | | |

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| ADMINISTRATIVE ADJUSTMENTS | 0 | 3,867 | 3,867 |
| OPERATING LUMP SUM - GENERAL SERVICES | 1,593,600 | 1,216,200 | 1,216,062 |
| TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS | 15,167,659,641 | 16,270,450,728 | 14,539,202,139 |
| Less: | | | |
| Department of Health Services' AHCCCS - appropriations for Children's Rehabilitative Services, Arnold v. Sarn, Assurance and Licensure, Title XIX State Match, Medicaid Special Exemption, and Contract Compliance that were duplicate expenditure authorizations | (818,930,900) | (1,032,716,509) | 0 |
| TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS | \$ 14,348,728,741 | \$ 15,237,734,219 | \$ 14,539,202,139 |

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| TRANSPORTATION, DEPARTMENT OF | | | |
| 2003 ASBESTOS & LEAD INSPECTIONS | \$ 589,466 | \$ 589,466 | \$ 0 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 317 | 317 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,317 | 2,317 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 1,687 | 1,687 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 2,820 | 2,820 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 5,287 | 5,287 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 212 | 212 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 24,343 | 24,343 |
| ADMINISTRATIVE ADJUSTMENTS | 0 | 108 | 108 |
| AIRPORT PLANNING AND DEVELOPMENT | 16,067,335 | 16,067,335 | 0 |
| AIRPORT PLANNING AND DEVELOPMENT | 8,665,445 | 8,665,445 | 0 |
| AIRPORT PLANNING AND DEVELOPMENT | 27,128,000 | 27,128,000 | 9,456,244 |
| ALT TRUCK ROUTE - DOUGLAS CHINO RD | 250,000 | 250,000 | 0 |
| ASBESTOS & LEAD INSPECTIONS | 0 | 94,798 | 0 |
| ASPHALT STORAGE TANKS | 112,816 | 112,816 | 0 |
| BUILDING RENEWAL FY06 - 07 | 0 | 12,264 | 12,264 |
| BUILDING RENEWAL FY06 - 07 | 0 | 152,043 | 23,042 |
| BUILDING RENEWAL FY07 - 08 | 55,951 | 55,951 | 31,033 |
| BUILDING RENEWAL FY07 - 08 | 399,148 | 399,148 | 396,747 |
| BUILDING RENEWAL FY08 - 09 | 612,880 | 612,880 | 554,293 |
| BUILDING RENEWAL FY08 - 09 | 71,223 | 71,223 | 58,888 |
| BUILDING RENEWAL FY09 - 10 | 1,000,000 | 1,000,000 | 869,527 |
| BUILDING RENEWAL FY10 | 50,000 | 50,000 | 0 |
| CASH TRANSFER TO GENERAL FUND | 0 | 395,800 | 395,800 |
| CASH TRANSFER TO GENERAL FUND | 0 | 799,200 | 799,200 |
| CASH TRANSFER TO GENERAL FUND | 0 | 3,420,900 | 3,420,900 |
| CASH TRANSFER TO GENERAL FUND CH12 S44 | 0 | 784,700 | 784,700 |
| DE-ICER BUILDINGS | 11,434 | 11,434 | 0 |
| GRAND CANYON AIRPORT MODULAR HOUSING | 46,664 | 46,664 | 41,938 |
| GRAND CANYON AIRPORT RESTROOM RENOVATION | 156,777 | 156,777 | 1,057 |
| HIGHWAY MAINTENANCE | 558,700 | 558,700 | 558,697 |
| HIGHWAY MAINTENANCE | 4,753 | 4,753 | 0 |
| HIGHWAY MAINTENANCE FY08 - 09 | 21,677,252 | 21,677,252 | 4,158,783 |
| HIGHWAY MAINTENANCE FY09 - 10 | 136,007,600 | 136,567,000 | 94,742,336 |
| HIGHWAY TO DPS TRANSFER - DOUBLE LOAD | 0 | 41,256,000 | 41,256,000 |
| HURF TO DPS TRANSFER - DOUBLE LOAD | 0 | 78,626,200 | 78,626,200 |
| MOTOR CARRIER TOWING REGULATION | 11,108 | 11,108 | 0 |
| MVD SECURITY ENHANCEMENT ISSUES | 737,673 | 737,673 | 21,986 |
| OPERATING LUMP SUM APPROPRIATION | 259,013,700 | 185,833,000 | 148,969,514 |
| OPERATING LUMP SUM APPROPRIATION | 2,158,000 | 1,451,200 | 1,134,411 |
| OPERATING LUMP SUM APPROPRIATION | 1,682,500 | 1,578,700 | 1,456,524 |
| OPERATING LUMP SUM APPROPRIATION | 1,862,400 | 1,748,300 | 1,718,980 |
| OPERATING LUMP SUM APPROPRIATION | 71,700 | 72,700 | 47,561 |
| OPERATING LUMP SUM APPROPRIATION | 617,000 | 620,400 | 565,964 |
| OPERATING LUMP SUM APPROPRIATION | 2,177,500 | 2,032,700 | 1,082,898 |
| OPERATING LUMP SUM APPROPRIATION | 143,300 | 145,400 | 145,400 |
| SEF TO DPS TRANSFER - DOUBLE LOAD | 0 | 1,626,600 | 1,504,600 |

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Dollars)

| | ORIGINAL BUDGET (Appropriations) | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------|
| SPRINKLERS/FIRE ALARMS | 179,212 | 179,212 | 1,286 |
| STATEWIDE HIGHWAY CONSTRUCTION FY07 - 09 | 53,555,170 | 53,555,170 | 53,553,694 |
| STATEWIDE HIGHWAY CONSTRUCTION FY08 - 09 | 70,296,764 | 70,296,764 | 50,265,442 |
| STATEWIDE HIGHWAY CONSTRUCTION FY09 - 10 | 187,850,000 | 187,850,000 | 112,642,540 |
| SURPRISE MOTOR VEHICLE DIVISION SRV CNTR | 893,408 | 893,408 | 998 |
| TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES | \$ 794,714,879 | \$ 848,236,175 | \$ 609,336,538 |

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2010

A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES

The accompanying Budgetary Comparison Schedules for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2009 that affect available appropriations during fiscal year 2010. The final budget represents any appropriation bills passed during fiscal year 2010 for fiscal year 2010 plus the original budget. Appropriation bills passed after the end of fiscal year 2010 for fiscal year 2010 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State's budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

| | General Fund | Transportation & Aviation Planning, Highway Maintenance & Safety Fund |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------------------------------------------------------------------------|
| Uses/outflows of resources | | |
| Actual expenditure amounts (budgetary basis) - total charges to appropriations - from the budgetary comparison schedule | \$ 14,539,202 | \$ 609,337 |
| Differences - budget to GAAP: | | |
| Increase in unpaid incurred expenditures from fiscal year end 2009 to fiscal year end 2010. | 300,282 | 429,186 |
| Decrease in unpaid payroll expenditures from fiscal year end 2009 to fiscal year end 2010. For budgetary reporting, final June 2009 payroll expenditures were charged to fiscal year 2010 budget and final June 2010 payroll expenditures were charged to fiscal year 2011 budget. | (5,200) | - |
| Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures. | 899,318 | - |
| Distribution to counties and cities for Urban Revenue Sharing, derived from the State's income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures. | 628,645 | - |
| Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures. | 2,501 | - |
| Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2010. | 6,568,971 | 1,589,622 |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (1,037,393) | (501,646) |
| Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances | <u>\$ 21,896,326</u> | <u>\$ 2,126,499</u> |

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting, unless an extension is granted for up to an additional 30 days. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. Encumbrances as of June 30 can be liquidated during an administrative period of up to four weeks known as the 13th month. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on an annual basis. The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funding. Among the possible format choices are the following:

Lump Sum - The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to direct funds to its activities at its own discretion, without further Legislative or Executive Branch review. Within this format, any programs or Special Line Items may be listed separately.

Modified Lump Sum - The appropriation of an agency for each fiscal year consists of at least three lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to ARS §35-173, an agency must seek approval of the Joint Legislative Budget Committee (JLBC) before moving any funding into or out of the Personal Services and Employee Related Expenditures line items. Any other funding transfers would require approval by the Arizona Department of Administration (ADOA), but not the JLBC. ADOA funding transfers require approval from the JLBC.

Detailed Line Item - The agency appropriation for each fiscal year consists of each line item listed in the Appropriations Report including Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food, and any Special Line Items. The same rules govern Personal Services and Employee Related Expenditures funding transfers as noted in the Modified Lump Sum description. This appropriation format requires an agency to seek ADOA approval before initiating funding transfers between all other line items.

During the fiscal year, \$1.1 billion in supplemental appropriations, net of mid-year reversions and adjustments, were provided to the General Fund. This increase consisted primarily of the Department of Education's Basic State Aid Entitlement appropriation, which usually is included in the original budget, but was vetoed and made later under a supplemental appropriation. The Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by \$53.521 million. These amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The ADOA's General Accounting Office exercises oversight and does not disburse funds in excess of appropriations.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2010

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next two ensuing years for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature may provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

All expenditures of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature. Periodically, the State Legislature may appropriate monies for program expenditures already authorized by law, resulting in duplicate spending authority. In appropriating monies, the State Legislature has, in some cases, included external funding sources as a portion of an agency's total program expenditure authorization (budget) and has identified the external funding sources as an offset against the program appropriations total in order to reflect the State funding amount. An example of this is found in the \$322.272 million Department of Health Services' Children's Behavioral Health State Match for Title XIX on page 147. Accordingly, sometimes program expenditures may not exhaust specific legislative appropriations. To properly present the total budget (appropriation) information, in relationship to 'actual' expenditure amounts, duplicate expenditure authorizations have been eliminated from the General Fund's budget (appropriation) totals on page 157.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2010

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASB 34), the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,789 center lane miles (18,771 travel lane miles) of roads and 4,700 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- ¿ Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets
- ¿ Perform condition assessments of eligible assets and summarize the results using a measurement scale
- ¿ Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- ¿ Document that the assets are being preserved approximately at or above the established condition level

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2010 and beyond was adopted by the Transportation Board on June 19, 2009.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the State to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the State. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on ‘programmed_ projects which may or may not be spent in the current year of the Program. ‘Programmed_ expenditures consist of those items that are planned for the future and contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were ‘programmed_ for a prior year’s Estimated Expenditures but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the State’s success in achieving condition levels that exceed the established levels.

Roads

The mission of the Arizona Department of Transportation’s (ADOT) Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State’s investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the ADOT PMS both work toward the same basic goal, the efficient, effective management of the State’s assets to produce long-term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State’s highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called ‘Serviceability_, which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after the American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement and many surveys since the original road test have shown that these

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2010

measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called the 'Present Serviceability Rating' (PSR). PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

| Numerical Rating | PSR | Weaver/AASHTO Scale |
|------------------|------------|---------------------|
| 5 | Excellent | Perfect |
| 4 | Good | Very Good |
| 3 | Fair | Good |
| 2 | Poor | Fair |
| 1 | Very Poor | Poor |
| 0 | Impassable | Very Poor |

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State's highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2010, an overall rating of 3.71 was achieved, as shown in the following graph:

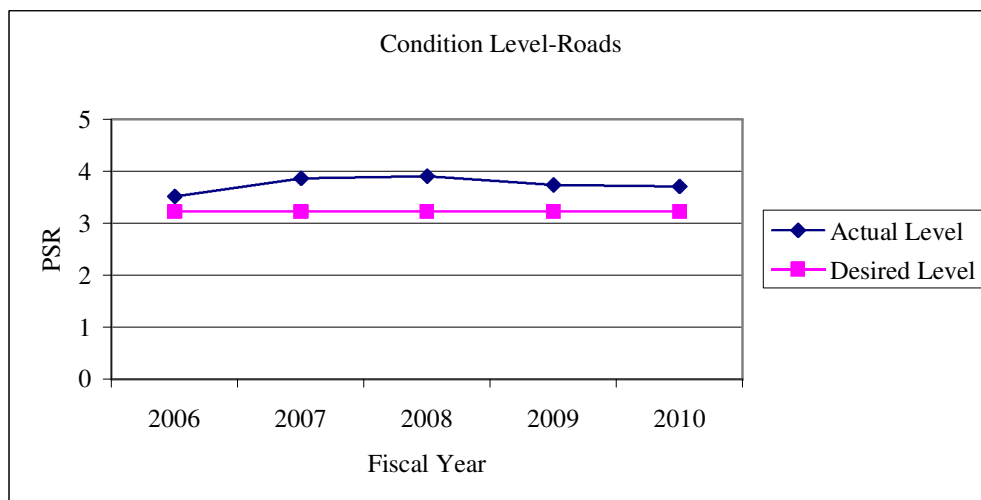


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2006 through 2010 were as follows:

| Fiscal Year | Estimated Expenditures (in millions) | Actual Expenditures (in millions) |
|-------------|-----------------------------------------|--------------------------------------|
| 2006 | \$218.5 | \$211.5 |
| 2007 | \$216.4 | \$196.5 |
| 2008 | \$260.7 | \$247.9 |
| 2009 | \$264.4 | \$236.0 |
| 2010 | \$227.4 | \$220.9 |

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2010

Bridges

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2010, the State owns and maintains 4,700 bridges with an approximate total deck area of 45,437,223 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the Arizona Bridge Information and Storage System (ABISS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA's 'Recording and Coding Guide for the Structural Inventory of the Nation's Bridges.' The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the sub-structure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one, the ratio of the sum of the deck areas of all bridges with a condition rating of four or less, which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

| Numerical Rating | Condition Rating |
|------------------|------------------|
| 9 | Excellent |
| 8 | Very Good |
| 7 | Good |
| 6 | Satisfactory |
| 5 | Fair |
| 4 | Poor |
| 3 | Serious |
| 2 | Critical |
| 1 | Imminent Failure |

Management of the bridge inventory is a major function of the ADOT's Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. It is the policy of the State to maintain State highway bridges so that the CRI exceeds 92.5%. In fiscal year 2010, the CRI was computed at 93.2%.

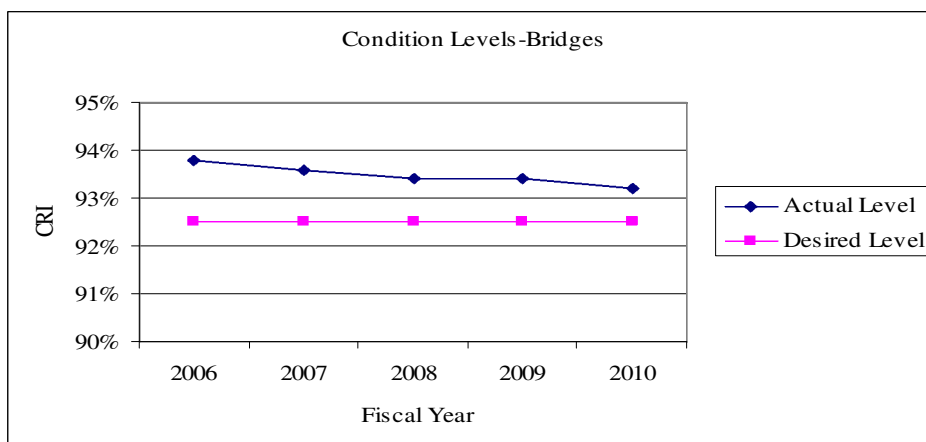


Figure 2

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2010

Bridges represent a major public investment and their inspection and maintenance is an essential function of the State in its mission of providing products and services for a safe, efficient, and cost effective transportation system. Figure 3 indicates that approximately 58% of the bridges in the State were constructed prior to the 1970s while only 22% have been constructed in the last two decades.

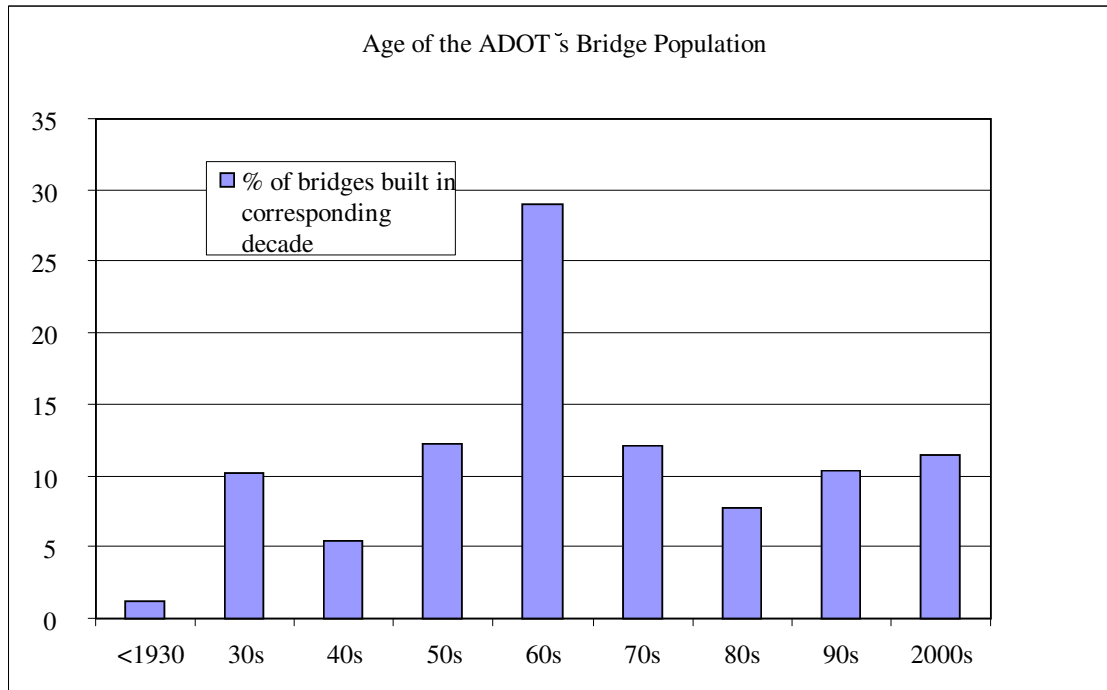


Figure 3

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2006 through 2010 were as follows:

| Fiscal Year | Estimated Expenditures (in millions) | Actual Expenditures (in millions) |
|-------------|-----------------------------------------|--------------------------------------|
| 2006 | \$10.6 | \$11.3 |
| 2007 | \$17.1 | \$22.5 |
| 2008 | \$13.4 | \$18.1 |
| 2009 | \$14.3 | \$17.3 |
| 2010 | \$16.1 | \$22.4 |

Actual expenditures on bridge preservation have exceeded estimated expenditures in each of the past five fiscal years. These higher-than-estimated expenditures have been the result of an ongoing effort to maintain the ability of an older inventory of bridges to serve a growing population. This trend explains why the higher expenditures have occurred simultaneously with a decline, during the same period, of the bridge network's CRI, as described above.

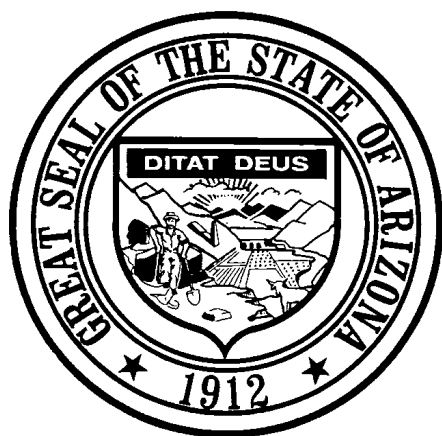
STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
AGENT BENEFIT PLANS ~ FUNDING PROGRESS
JUNE 30, 2010

Analysis of the funding progress for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

| Plan | Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | (Unfunded) AAL | Funded Ratio | Annual Covered Payroll | (Unfunded) AAL as a Percentage of Covered Payroll |
|-------|--------------------------------|--------------------------------------|--------------------------------------------|-------------------|-----------------|------------------------------|---------------------------------------------------------------|
| PSPRS | 6/30/2010 | \$ 554,211 | \$ 891,215 | \$ (337,004) | 62.2% | \$ 92,791 | (363.2)% |
| | 6/30/2009 | 564,000 | 857,854 | (293,854) | 65.7% | 99,558 | (295.2)% |
| | 6/30/2008 | 547,255 | 824,620 | (277,365) | 66.4% | 101,422 | (273.5)% |
| CORP | 6/30/2010 | 838,549 | 980,676 | (142,127) | 85.5% | 363,999 | (39.0)% |
| | 6/30/2009 | 806,941 | 910,317 | (103,376) | 88.6% | 373,674 | (27.7)% |
| | 6/30/2008 | 755,559 | 869,342 | (113,783) | 86.9% | 376,819 | (30.2)% |

Analysis of the funding progress for each of the agent, multiple-employer defined benefit post-employment plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

| Plan | Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | (Unfunded) AAL | Funded Ratio | Annual Covered Payroll | (Unfunded) AAL as Percentage of Covered Payroll |
|-------|--------------------------------|--------------------------------------|--------------------------------------------|-------------------|-----------------|------------------------------|-------------------------------------------------------------|
| PSPRS | 6/30/2010 | - | \$ 26,846 | \$ (26,846) | 0.0% | \$ 92,791 | (28.9)% |
| | 6/30/2009 | - | 26,141 | (26,141) | 0.0% | 99,558 | (26.3)% |
| | 6/30/2008 | - | 30,584 | (30,584) | 0.0% | 101,422 | (30.2)% |
| CORP | 6/30/2010 | - | 46,868 | (46,868) | 0.0% | 363,999 | (12.9)% |
| | 6/30/2009 | - | 43,951 | (43,951) | 0.0% | 373,674 | (11.8)% |
| | 6/30/2008 | - | 40,596 | (40,596) | 0.0% | 376,819 | (10.8)% |



COMBINING FINANCIAL STATEMENTS AND SCHEDULES

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds

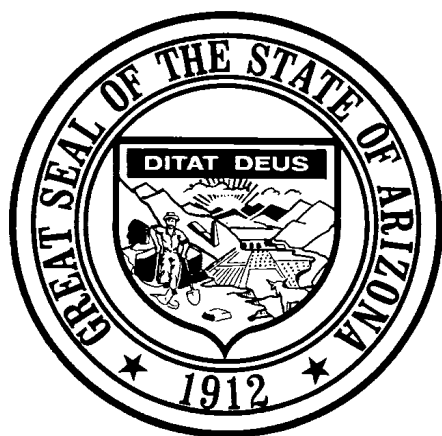
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | SPECIAL REVENUE FUNDS | DEBT SERVICE FUNDS | CAPITAL PROJECTS FUNDS | TOTAL |
|-----------------------------------------------------|-----------------------------|--------------------------|------------------------------|---------------------|
| ASSETS | | | | |
| Cash | \$ 4,341 | \$ - | \$ - | \$ 4,341 |
| Cash and pooled investments with State Treasurer | 883,615 | 21,239 | - | 904,854 |
| Collateral investment pool | 14,976 | - | 10,076 | 25,052 |
| Receivables, net of allowances: | | | | |
| Taxes | 61,181 | - | - | 61,181 |
| Other | 23,904 | - | - | 23,904 |
| Due from others | 60 | - | - | 60 |
| Due from other Funds | 16,996 | 2,255 | - | 19,251 |
| Inventories, at cost | 66 | - | - | 66 |
| Restricted assets: | | | | |
| Cash and pooled investments with State Treasurer | 1,261 | 2,386 | 276,625 | 280,272 |
| Cash held by trustee | - | 1,316 | 25,808 | 27,124 |
| Other | 1 | - | - | 1 |
| Total Assets | <u>\$ 1,006,401</u> | <u>\$ 27,196</u> | <u>\$ 312,509</u> | <u>\$ 1,346,106</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 36,694 | \$ 307 | \$ 1,700 | \$ 38,701 |
| Accrued liabilities | 22,215 | - | 13 | 22,228 |
| Obligations under securities loan agreements | 14,976 | - | 10,076 | 25,052 |
| Due to local governments | 61,748 | - | - | 61,748 |
| Due to others | 270 | - | - | 270 |
| Due to other Funds | 15,494 | 500 | - | 15,994 |
| Unavailable deferred revenue | 940 | - | - | 940 |
| Unearned deferred revenue | 960 | - | - | 960 |
| Total Liabilities | <u>153,297</u> | <u>807</u> | <u>11,789</u> | <u>165,893</u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Highway construction | - | - | 255,317 | 255,317 |
| Other construction | - | - | 45,403 | 45,403 |
| Continuing appropriations | 28,697 | - | - | 28,697 |
| Debt service | - | 26,389 | - | 26,389 |
| Unreserved | 824,407 | - | - | 824,407 |
| Total Fund Balances | <u>853,104</u> | <u>26,389</u> | <u>300,720</u> | <u>1,180,213</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,006,401</u> | <u>\$ 27,196</u> | <u>\$ 312,509</u> | <u>\$ 1,346,106</u> |

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | SPECIAL REVENUE FUNDS | DEBT SERVICE FUNDS | CAPITAL PROJECTS FUNDS | TOTAL |
|--------------------------------------------------|-----------------------------|--------------------------|------------------------------|---------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Sales | \$ 381,795 | \$ 65,811 | \$ - | \$ 447,606 |
| Income | 88 | - | - | 88 |
| Tobacco | 265,078 | - | - | 265,078 |
| Other | 84,028 | - | - | 84,028 |
| Intergovernmental | 44,699 | - | - | 44,699 |
| Licenses, fees, and permits | 224,336 | - | - | 224,336 |
| Earnings on investments | 9,575 | 2,082 | 7,979 | 19,636 |
| Sales and charges for services | 41,828 | - | - | 41,828 |
| Fines, forfeitures, and penalties | 185,645 | - | - | 185,645 |
| Gaming | 72,137 | - | - | 72,137 |
| Other | 48,073 | - | - | 48,073 |
| Total Revenues | <u>1,357,282</u> | <u>67,893</u> | <u>7,979</u> | <u>1,433,154</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 140,531 | - | - | 140,531 |
| Health and welfare | 258,890 | - | - | 258,890 |
| Inspection and regulation | 112,267 | - | - | 112,267 |
| Education | 493,667 | - | - | 493,667 |
| Protection and safety | 139,831 | - | - | 139,831 |
| Transportation | - | - | 34,002 | 34,002 |
| Natural resources | 112,019 | - | - | 112,019 |
| Debt service: | | | | |
| Principal | 752 | 212,530 | - | 213,282 |
| Interest and other fiscal charges | 811 | 194,386 | 121 | 195,318 |
| Capital outlay | 155,404 | - | 551,393 | 706,797 |
| Total Expenditures | <u>1,414,172</u> | <u>406,916</u> | <u>585,516</u> | <u>2,406,604</u> |
| (Deficiency) of Revenues Over Expenditures | <u>(56,890)</u> | <u>(339,023)</u> | <u>(577,537)</u> | <u>(973,450)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 140,394 | 342,695 | - | 483,089 |
| Transfers out | (292,163) | (4,398) | (11,858) | (308,419) |
| Capital lease and installment purchase contracts | 185,335 | - | - | 185,335 |
| Total Other Financing Sources (Uses) | <u>33,566</u> | <u>338,297</u> | <u>(11,858)</u> | <u>360,005</u> |
| Net Change in Fund Balances | <u>(23,324)</u> | <u>(726)</u> | <u>(589,395)</u> | <u>(613,445)</u> |
| Fund Balances - Beginning | <u>876,428</u> | <u>27,115</u> | <u>890,115</u> | <u>1,793,658</u> |
| Fund Balances - Ending | <u>\$ 853,104</u> | <u>\$ 26,389</u> | <u>\$ 300,720</u> | <u>\$ 1,180,213</u> |



NON-MAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

The Public Safety and Correctional Programs Fund accounts for law enforcement, military, custody, and related services provided to the general public.

The Environmental Protection Fund accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

The Healthcare and Social Services Fund accounts for health and welfare services provided to the general public.

The Tobacco Tax and Healthcare Fund accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; to increase the quality of, and access to, the early childhood development and health system that ensures a child entering school comes healthy and ready to succeed; and for medically needy healthcare programs.

The Judicial and Legal Services Fund accounts for the anti-racketeering, consumer protection, consumer fraud, anti-trust, and collections enforcement programs of the Attorney General's Office and statewide court improvement functions supervised by the Arizona Supreme Court.

The Regulating and Licensing Fund accounts for inspection and regulatory services provided to the general public.

The Game and Fish Fund accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

The State Parks Development Fund accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing State park lands, sites and facilities.

The Business Development Fund accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

The Educational Programs Fund accounts for supplemental building needs and instructional improvement programs specifically identified in a voter initiative that enacted a six-tenth of one percent statewide sales tax dedicated to education functions. The Educational Programs Fund supports programs from the kindergarten through university educational levels.

The Groundwater Protection and Conservation Fund accounts for strategic water resources planning, Colorado River water management, drought management planning, dam safety, flood mitigation, administration of the Arizona Groundwater Management Code, and administration of water rights. These programs are the responsibility of the Department of Water Resources.

The Clean Elections System Fund accounts for fines and fees collected to pay for campaign expenses of statewide candidates and State legislative candidates who choose not to accept private source campaign funds. The fund was established as a result of a voter initiative.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | PUBLIC SAFETY & CORRECTIONAL PROGRAMS | ENVIRONMENTAL PROTECTION | HEALTHCARE & SOCIAL SERVICES | TOBACCO TAX & HEALTHCARE | JUDICIAL & LEGAL SERVICES | REGULATING & LICENSING |
|-----------------------------------------------------|------------------------------------------------|-----------------------------|------------------------------------|--------------------------------|---------------------------------|---------------------------|
| ASSETS | | | | | | |
| Cash | \$ 4,253 | \$ 14 | \$ - | \$ - | \$ - | \$ 21 |
| Cash and pooled investments with State Treasurer | 65,370 | 23,392 | 22,893 | 447,937 | 62,623 | 54,351 |
| Collateral investment pool | - | - | 1,965 | 13,011 | - | - |
| Receivables, net of allowances: | | | | | | |
| Taxes | 4,098 | - | 957 | 14,563 | - | - |
| Other | 96 | 1 | 7,490 | - | - | 2,890 |
| Due from others | 60 | - | - | - | - | - |
| Due from other Funds | 4,146 | 7,434 | 1,469 | 367 | 1,759 | 285 |
| Inventories, at cost | 66 | - | - | - | - | - |
| Restricted assets: | | | | | | |
| Cash and pooled investments with State Treasurer | - | - | 1,261 | - | - | - |
| Other | - | - | - | - | - | - |
| Total Assets | <u>\$ 78,089</u> | <u>\$ 30,841</u> | <u>\$ 36,035</u> | <u>\$ 475,878</u> | <u>\$ 64,382</u> | <u>\$ 57,547</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and other current liabilities | \$ 16,364 | \$ 1,551 | \$ 983 | \$ 10,261 | \$ 2,360 | \$ 1,906 |
| Accrued liabilities | 711 | 1,030 | 11,635 | 659 | 1,193 | 4,010 |
| Obligations under securities loan agreements | - | - | 1,965 | 13,011 | - | - |
| Due to local governments | - | - | - | - | - | - |
| Due to others | 7 | - | - | - | - | 263 |
| Due to other Funds | 824 | 1,986 | 636 | 11,171 | 22 | 531 |
| Unavailable deferred revenue | - | - | 940 | - | - | - |
| Unearned deferred revenue | - | - | 955 | - | - | - |
| Total Liabilities | <u>17,906</u> | <u>4,567</u> | <u>17,114</u> | <u>35,102</u> | <u>3,575</u> | <u>6,710</u> |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Continuing appropriations | 8,349 | 1,012 | 306 | - | 34 | 2,175 |
| Unreserved | 51,834 | 25,262 | 18,615 | 440,776 | 60,773 | 48,662 |
| Total Fund Balances | <u>60,183</u> | <u>26,274</u> | <u>18,921</u> | <u>440,776</u> | <u>60,807</u> | <u>50,837</u> |
| Total Liabilities and Fund Balances | <u>\$ 78,089</u> | <u>\$ 30,841</u> | <u>\$ 36,035</u> | <u>\$ 475,878</u> | <u>\$ 64,382</u> | <u>\$ 57,547</u> |

| GAME & FISH | STATE PARKS DEVELOPMENT | BUSINESS DEVELOPMENT | EDUCATIONAL PROGRAMS | GROUNDWATER PROTECTION & CONSERVATION | CLEAN ELECTIONS SYSTEM | TOTAL |
|------------------|----------------------------|-------------------------|-------------------------|---------------------------------------------|------------------------------|---------------------|
| \$ 53 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,341 |
| 34,432 | 15,692 | 36,774 | 77,183 | 11,236 | 31,732 | 883,615 |
| - | - | - | - | - | - | 14,976 |
| - | - | - | 41,563 | - | - | 61,181 |
| 2,014 | - | 21 | 11,392 | - | - | 23,904 |
| - | - | - | - | - | - | 60 |
| 212 | 459 | 498 | - | - | 367 | 16,996 |
| - | - | - | - | - | - | 66 |
| - | - | - | - | - | - | 1,261 |
| - | - | 1 | - | - | - | 1 |
| <u>\$ 36,711</u> | <u>\$ 16,151</u> | <u>\$ 37,294</u> | <u>\$ 130,138</u> | <u>\$ 11,236</u> | <u>\$ 32,099</u> | <u>\$ 1,006,401</u> |

| | | | | | | |
|--------------|------------|------------|---------------|------------|-----------|----------------|
| \$ 2,219 | \$ 502 | \$ 310 | \$ 156 | \$ 82 | \$ - | \$ 36,694 |
| 2,345 | 255 | 203 | 85 | 56 | 33 | 22,215 |
| - | - | - | - | - | - | 14,976 |
| - | - | - | 61,748 | - | - | 61,748 |
| - | - | - | - | - | - | 270 |
| 316 | 5 | 3 | - | - | - | 15,494 |
| - | - | - | - | - | - | 940 |
| - | - | 5 | - | - | - | 960 |
| <u>4,880</u> | <u>762</u> | <u>521</u> | <u>61,989</u> | <u>138</u> | <u>33</u> | <u>153,297</u> |

| | | | | | | |
|------------------|------------------|------------------|-------------------|------------------|------------------|---------------------|
| 8,089 | 2 | - | 8,730 | - | - | 28,697 |
| 23,742 | 15,387 | 36,773 | 59,419 | 11,098 | 32,066 | 824,407 |
| 31,831 | 15,389 | 36,773 | 68,149 | 11,098 | 32,066 | 853,104 |
| <u>\$ 36,711</u> | <u>\$ 16,151</u> | <u>\$ 37,294</u> | <u>\$ 130,138</u> | <u>\$ 11,236</u> | <u>\$ 32,099</u> | <u>\$ 1,006,401</u> |

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| (Expressed in Thousands) | PUBLIC SAFETY & CORRECTIONAL PROGRAMS | | ENVIRONMENTAL PROTECTION | HEALTHCARE & SOCIAL SERVICES | TOBACCO TAX & HEALTHCARE | JUDICIAL & LEGAL SERVICES | REGULATING & LICENSING | |
|--------------------------------------------------|---------------------------------------|-----------|--------------------------|------------------------------|--------------------------|---------------------------|------------------------|---------|
| REVENUES | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales | \$ | 16,246 | \$ | - | \$ | 6,016 | \$ | - |
| Income | | - | | - | | - | | - |
| Tobacco | | 5,278 | | - | | 8,570 | | 251,230 |
| Other | | 51,637 | | 2,393 | | - | | - |
| Intergovernmental | | 51 | | 462 | | - | | 1,600 |
| Licenses, fees, and permits | | 17,778 | | 53,836 | | 10,359 | | 10,570 |
| Earnings on investments | | 375 | | 231 | | 68 | | 4,380 |
| Sales and charges for services | | 8,570 | | 50 | | 835 | | 15,519 |
| Fines, forfeitures, and penalties | | 109,292 | | 836 | | 10,882 | | 3 |
| Gaming | | - | | - | | 18,936 | | - |
| Other | | 8,620 | | 7,028 | | 1,474 | | 890 |
| Total Revenues | | 217,847 | | 64,836 | | 68,927 | | 255,613 |
| | | | | | | | | 78,785 |
| | | | | | | | | 132,724 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | | 34,398 | | 1,047 | | 3,333 | | 671 |
| Health and welfare | | - | | 76,834 | | 59,409 | | 118,822 |
| Inspection and regulation | | - | | 1,388 | | - | | 42 |
| Education | | - | | - | | - | | 75,952 |
| Protection and safety | | 139,828 | | - | | - | | - |
| Natural resources | | 9,060 | | 955 | | - | | - |
| Debt service: | | | | | | | | |
| Principal | | - | | - | | - | | - |
| Interest and other fiscal charges | | - | | - | | - | | 7 |
| Capital outlay | | 140,665 | | 131 | | 1 | | 7 |
| Total Expenditures | | 323,951 | | 80,355 | | 62,743 | | 195,452 |
| Excess (Deficiency) of Revenues | | | | | | | | 59,075 |
| Over Expenditures | | (106,104) | | (15,519) | | 6,184 | | 60,161 |
| | | | | | | | | 19,710 |
| | | | | | | | | 15,595 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | | 11,629 | | 45,253 | | 5,028 | | 7,015 |
| Transfers out | | (109,273) | | (44,282) | | (10,111) | | (2,784) |
| Capital lease and installment purchase contracts | | 185,335 | | - | | - | | - |
| Total Other Financing Sources (Uses) | | 87,691 | | 971 | | (5,083) | | 4,231 |
| Net Change in Fund Balances | | (18,413) | | (14,548) | | 1,101 | | 64,392 |
| Fund Balances - Beginning | | 78,596 | | 40,822 | | 17,820 | | 376,384 |
| Fund Balances - Ending | \$ | 60,183 | \$ | 26,274 | \$ | 18,921 | \$ | 440,776 |
| | | | | | | | | 60,807 |
| | | | | | | | | 50,837 |

| GAME & FISH | STATE PARKS DEVELOPMENT | BUSINESS DEVELOPMENT | EDUCATIONAL PROGRAMS | GROUNDWATER PROTECTION & CONSERVATION | CLEAN ELECTIONS SYSTEM | TOTAL |
|----------------|----------------------------|-------------------------|-------------------------|---------------------------------------------|------------------------------|------------|
| \$ - | \$ - | \$ - | \$ 359,533 | \$ - | \$ - | \$ 381,795 |
| - | - | - | 88 | - | - | 88 |
| - | - | - | - | - | - | 265,078 |
| - | - | - | - | - | - | 84,028 |
| 24,853 | - | 2,591 | 2,792 | - | - | 44,699 |
| 33,274 | 2,966 | 3,731 | 171 | 4,730 | - | 224,336 |
| 351 | 245 | 649 | 2,773 | 138 | - | 9,575 |
| 2,371 | - | 473 | 1,039 | 12,706 | - | 41,828 |
| 142 | - | - | - | - | 12,265 | 185,645 |
| 5,417 | - | - | 37,872 | - | - | 72,137 |
| 3,546 | 105 | 11,606 | 427 | 3,147 | 8,549 | 48,073 |
| 69,954 | 3,316 | 19,050 | 404,695 | 20,721 | 20,814 | 1,357,282 |
| - | - | 34,238 | - | - | 6,829 | 140,531 |
| - | - | - | - | - | - | 258,890 |
| - | - | - | - | - | - | 112,267 |
| - | - | - | 417,715 | - | - | 493,667 |
| - | - | - | - | - | - | 139,831 |
| 70,264 | 12,110 | 384 | - | 19,246 | - | 112,019 |
| 706 | - | - | - | - | - | 752 |
| 804 | - | - | - | - | - | 811 |
| 10,137 | 3,034 | - | - | - | - | 155,404 |
| 81,911 | 15,144 | 34,622 | 417,715 | 19,246 | 6,829 | 1,414,172 |
| (11,957) | (11,828) | (15,572) | (13,020) | 1,475 | 13,985 | (56,890) |
| 11,465 | 16,806 | 24,179 | 153 | 300 | - | 140,394 |
| (4,693) | (21,101) | (19,279) | (565) | (14,818) | (10,040) | (292,163) |
| - | - | - | - | - | - | 185,335 |
| 6,772 | (4,295) | 4,900 | (412) | (14,518) | (10,040) | 33,566 |
| (5,185) | (16,123) | (10,672) | (13,432) | (13,043) | 3,945 | (23,324) |
| 37,016 | 31,512 | 47,445 | 81,581 | 24,141 | 28,121 | 876,428 |
| \$ 31,831 | \$ 15,389 | \$ 36,773 | \$ 68,149 | \$ 11,098 | \$ 32,066 | \$ 853,104 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------|-------------------------------------|----------------------------------|
| ACCOUNTANCY, ARIZONA STATE BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | \$ 1,544 | \$ 1,544 |
| CASH TRANSFER TO GENERAL FUND | 500,000 | 500,000 |
| OPERATING LUMP SUM APPROPRIATION | 1,902,400 | 1,466,237 |
| ACUPUNCTURE BOARD OF EXAMINERS | | |
| OPERATING LUMP SUM APPROPRIATION | 129,700 | 117,465 |
| ADMINISTRATION, ARIZONA DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 95 | 95 |
| CASH TRANSFER TO GENERAL FUND | 8,686,600 | 8,686,600 |
| CASH TRANSFER TO GENERAL FUND | 136,000 | 136,000 |
| CASH TRANSFER TO GENERAL FUND | 36,100 | 36,100 |
| CASH TRANSFER TO GENERAL FUND | 167,500 | 167,500 |
| GOVERNMENT BUILDING DEFIBRILLATORS | 293 | 0 |
| OPERATING LUMP SUM - BUS SUBSIDY | 714,100 | 696,540 |
| OPERATING LUMP SUM APPROPRIATION | 568,900 | 429,086 |
| YUMA PRISON WATER TREATMENT UPGRADE | 64,691 | 50,779 |
| AGRICULTURE, ARIZONA DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 7,246 | 7,246 |
| ADMINISTRATIVE ADJUSTMENTS | 187 | 187 |
| ADMINISTRATIVE ADJUSTMENTS | 17,409 | 17,409 |
| ADMINISTRATIVE ADJUSTMENTS | 7,577 | 7,577 |
| ADMINISTRATIVE ADJUSTMENTS | 170 | 170 |
| ADMINISTRATIVE ADJUSTMENTS | 22,859 | 22,859 |
| CASH TRANSFER TO GENERAL FUND | 104,700 | 104,700 |
| CASH TRANSFER TO GENERAL FUND | 72,000 | 72,000 |
| CASH TRANSFER TO GENERAL FUND | 75,300 | 75,300 |
| CASH TRANSFER TO GENERAL FUND | 60,200 | 60,200 |
| CASH TRANSFER TO GENERAL FUND | 101,600 | 101,600 |
| CASH TRANSFER TO GENERAL FUND | 46,400 | 46,400 |
| CASH TRANSFER TO GENERAL FUND | 57,700 | 57,700 |
| OPERATING LUMP SUM APPROPRIATION | 1,028,700 | 586,817 |
| OPERATING LUMP SUM APPROPRIATION | 79,400 | 67,205 |
| OPERATING LUMP SUM APPROPRIATION | 40,000 | 40,000 |
| OPERATING LUMP SUM APPROPRIATION | 197,700 | 81,006 |
| OPERATING LUMP SUM APPROPRIATION | 9,200 | 9,200 |
| OPERATING LUMP SUM APPROPRIATION | 302,000 | 296,784 |
| OPERATING LUMP SUM APPROPRIATION | 904,400 | 713,651 |
| OPERATING LUMP SUM APPROPRIATION | 307,700 | 307,700 |
| OPERATING LUMP SUM APPROPRIATION | 388,300 | 373,973 |
| OPERATING LUMP SUM APPROPRIATION | 54,600 | 54,600 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-------------------------------------------------------------|-------------------------------------|----------------------------------|
| SERVICE FEES INCREASE - GENERAL | 441,000 | 44,495 |
| SERVICE FEES INCREASE - PESTICIDE | 120,000 | 112,950 |
| AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM | | |
| CAPITATION | 38,295,800 | 38,295,800 |
| CASH TRANSFER TO GENERAL FUND | 949,900 | 949,900 |
| PROP 204 CAPITATION | 10,086,400 | 10,086,400 |
| PROP 204 MEDICARE | 9,136,500 | 8,393,060 |
| APPRAISAL, STATE BOARD OF | | |
| OPERATING LUMP SUM APPROPRIATION | 624,200 | 615,210 |
| ATTORNEY GENERAL - DEPARTMENT OF LAW | | |
| ADMINISTRATIVE ADJUSTMENTS | 517 | 517 |
| ADMINISTRATIVE ADJUSTMENTS | 2,081 | 2,081 |
| ADMINISTRATIVE ADJUSTMENTS | 1,054 | 1,054 |
| CASH TRANSFER TO GENERAL FUND | 5,754,900 | 5,754,900 |
| CASH TRANSFER TO GENERAL FUND | 1,634,200 | 1,634,200 |
| CASH TRANSFER TO GENERAL FUND | 269,100 | 269,100 |
| CASH TRANSFER TO GENERAL FUND | 2,231,900 | 2,231,900 |
| CASH TRANSFER TO GENERAL FUND | 235,400 | 235,400 |
| CASH TRANSFER TO GENERAL FUND | 100 | 100 |
| CASH TRANSFER TO GENERAL FUND | 334,500 | 334,500 |
| CASH TRANSFER TO GENERAL FUND | 1,064,800 | 1,064,800 |
| CASH TRANSFER TO GENERAL FUND CH12 S44 | 789,000 | 789,000 |
| OPERATING LUMP SUM APPROPRIATION | 3,513,700 | 1,957,285 |
| OPERATING LUMP SUM APPROPRIATION | 3,313,400 | 2,355,354 |
| OPERATING LUMP SUM APPROPRIATION | 242,800 | 112,645 |
| OPERATING LUMP SUM APPROPRIATION | 5,651,600 | 5,582,479 |
| RISK MANAGEMENT ISA | 9,037,400 | 7,732,912 |
| VICTIMS RIGHTS | 3,248,200 | 3,125,505 |
| VICTIMS RIGHTS FY01 - 02 | 61,730 | 28,003 |
| AUTOMOBILE THEFT AUTHORITY | | |
| AUTOMOBILE THEFT AUTHORITY GRANTS | 4,452,300 | 3,732,677 |
| CASH TRANSFER TO GENERAL FUND | 881,700 | 881,700 |
| OPERATING LUMP SUM APPROPRIATION | 637,900 | 466,785 |
| REIMBURSABLE PROGRAMS | 50,000 | 0 |
| BARBERS, BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 108 | 108 |
| OPERATING LUMP SUM APPROPRIATION | 329,900 | 276,801 |
| BEHAVIORAL HEALTH EXAMINERS, BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 4,176 | 4,176 |
| OPERATING LUMP SUM APPROPRIATION | 1,378,800 | 1,208,488 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------------|-------------------------------------|----------------------------------|
| CHIROPRACTIC EXAMINERS, STATE BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 449 | 449 |
| OPERATING LUMP SUM APPROPRIATION | 476,600 | 433,625 |
| COMMERCE, DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 370 | 370 |
| ADMINISTRATIVE ADJUSTMENTS | 2,622 | 2,622 |
| ADMINISTRATIVE ADJUSTMENTS | 28,125 | 28,125 |
| ADVERTISING AND PROMOTION | 589,200 | 567,359 |
| ARIZONA SONORA TRADE OFFICE | 25,000 | 25,000 |
| AZ 21ST CENTURY COMPETITIVE INITIAT FUND | 18,474,923 | 18,474,923 |
| CASH TRANSFER TO GENERAL FUND | 2,750,400 | 2,750,400 |
| CASH TRANSFER TO GENERAL FUND | 162,200 | 162,200 |
| CASH TRANSFER TO GENERAL FUND CH12 S44 | 19,500 | 19,500 |
| CEDC COMMISSION | 197,900 | 155,253 |
| ECONOMIC DEVELOPMENT MATCHING FUNDS | 104,000 | 74,357 |
| INTERNATIONAL TRADE OFFICES | 816,800 | 644,499 |
| MAIN STREET | 90,000 | 86,265 |
| MINORITY & WOMEN OWNED BUSINESS | 130,400 | 129,453 |
| NATIONAL LAW CENTER/FREE TRADE | 170,000 | 170,000 |
| OIL OVERCHARGE ADMINISTRATION | 185,700 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 70,200 | 63,967 |
| OPERATING LUMP SUM APPROPRIATION | 1,670,900 | 600,010 |
| REDI MATCHING GRANTS | 45,000 | 34,650 |
| SMALL BUSINESS ADVOCATE | 127,800 | 126,387 |
| CONTRACTORS, REGISTRAR OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 413 | 413 |
| CASH TRANSFER TO GENERAL FUND | 1,837,300 | 1,837,300 |
| CASH TRANSFER TO GENERAL FUND | 2,576,400 | 2,576,400 |
| INCENTIVE PAY | 113,700 | 0 |
| INFORMATION MANAGEMENT SYSTEM | 506,500 | 77,748 |
| OFFICE OF ADMINISTRATIVE HEARING | 1,009,000 | 804,535 |
| OPERATING LUMP SUM APPROPRIATION | 10,603,500 | 7,894,788 |
| CORPORATION COMMISSION | | |
| ADMINISTRATIVE ADJUSTMENTS | 11,135 | 11,135 |
| ADMINISTRATIVE ADJUSTMENTS | 7,535 | 7,535 |
| ADMINISTRATIVE ADJUSTMENTS | 3,631 | 3,631 |
| ANNUAL REV PUBLIC ACCESS FUND | 56,772 | 56,772 |
| ANNUAL REVERSION PER ARS 44-3298 | 115,824 | 115,824 |
| CASH TRANSFER TO GENERAL FUND | 1,092,600 | 1,092,600 |
| CASH TRANSFER TO GENERAL FUND | 3,285,800 | 3,285,800 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------------|-------------------------------------|----------------------------------|
| CASH TRANSFER TO GENERAL FUND | 1,142,900 | 1,142,900 |
| CASH TRANSFER TO GENERAL FUND | 596,600 | 596,600 |
| CORPORATION FILINGS, SAME DAY SERVICE | 0 | 0 |
| INVESTIGATION & PROSECUTION OF SECURITY FRAUD | 165,599 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 711,800 | 711,560 |
| OPERATING LUMP SUM APPROPRIATION | 13,069,300 | 13,023,949 |
| OPERATING LUMP SUM APPROPRIATION | 4,408,400 | 4,234,583 |
| OPERATING LUMP SUM APPROPRIATION | 6,275,800 | 5,520,070 |
| UTILITIES, AUDITS, STUDIES, INVEST, HEAR | 176,930 | 0 |
| UTILITIES, AUDITS, STUDIES, INVEST, HEAR | 380,000 | 0 |
| UTILITIES, AUDITS, STUDIES, INVEST, HEAR | 380,000 | 0 |
| UTILITIES, AUDITS, STUDIES, INVEST, HEAR | 380,000 | 338 |
| UTILITIES, AUDITS, STUDIES, INVEST, HEAR | 380,000 | 1,730 |
| CORRECTIONS, STATE DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 2,427,018 | 2,427,018 |
| ADMINISTRATIVE ADJUSTMENTS | 7,232 | 7,232 |
| CASH TRANSFER TO GENERAL FUND | 37,200 | 37,200 |
| CASH TRANSFER TO GENERAL FUND | 729,200 | 729,200 |
| CASH TRANSFER TO GENERAL FUND | 932,400 | 932,400 |
| CASH TRANSFER TO GENERAL FUND | 914,200 | 914,200 |
| CASH TRANSFER TO GENERAL FUND | 44,900 | 44,900 |
| CASH TRANSFER TO GENERAL FUND | 611,000 | 611,000 |
| CORRECTIONAL OFFICER EMPLOYEE RELATED EXPENSES | 104,900 | 0 |
| CORRECTIONAL OFFICER PERSONAL SERVICES | 238,400 | 0 |
| HEALTH CARE ALL OTHER OPERATING EXP | 10,432,500 | 9,582,100 |
| NON-HEALTH CARE ALL OTHER OPERATING EXP | 554,400 | 409,668 |
| NON-HEALTH CARE ALL OTHER OPERATING EXP | 817,500 | 816,069 |
| NON-HEALTH CARE ALL OTHER OPERATING EXP | 555,000 | 425,484 |
| PRIVATE PRISON PER DIEM | 28,674,300 | 26,039,450 |
| PROVISIONAL BEDS | 249,400 | 0 |
| COSMETOLOGY, BOARD OF | | |
| OPERATING LUMP SUM APPROPRIATION | 1,759,500 | 1,582,149 |
| CRIMINAL JUSTICE COMMISSION, ARIZONA | | |
| ADMINISTRATIVE ADJUSTMENTS | 21,450 | 21,450 |
| ADMINISTRATIVE ADJUSTMENTS | 213 | 213 |
| CASH TRANSFER TO GENERAL FUND | 2,293,400 | 2,293,400 |
| CASH TRANSFER TO GENERAL FUND | 1,337,000 | 1,337,000 |
| CASH TRANSFER TO GENERAL FUND | 823,800 | 823,800 |
| CASH TRANSFER TO GENERAL FUND | 1,402,900 | 1,402,900 |
| CASH TRANSFER TO GENERAL FUND | 240,600 | 240,600 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------------------|-------------------------------------|----------------------------------|
| CASH TRANSFER TO GENERAL FUND | 284,000 | 284,000 |
| DRUG AND GANG PREVENTION RESOURCE CENTER | 235,200 | 146,081 |
| OPERATING LUMP SUM APPROPRIATION | 684,100 | 625,910 |
| RURAL STATE AID TO COUNTY ATTORNEYS | 0 | 0 |
| RURAL STATE AID TO INDIGENT DEFENSE | 0 | 0 |
| STATE AID TO COUNTY ATTORNEYS | 973,600 | 973,593 |
| STATE AID TO INDIGENT DEFENSE | 551,800 | 551,800 |
| VICTIM COMPENSATION & ASSISTANCE | 3,792,500 | 3,550,149 |
| DEAF AND HARD OF HEARING, COMMISSION FOR THE | | |
| ADMINISTRATIVE ADJUSTMENTS | 5,394 | 5,394 |
| CASH TRANSFER TO GENERAL FUND | 2,074,300 | 2,074,300 |
| INTERPRETERS FOR CERTIFICATION AND LICENSURE | 295,757 | -10,178 |
| OPERATING LUMP SUM APPROPRIATION | 4,079,200 | 3,015,213 |
| DENTAL EXAMINERS, STATE BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 419 | 419 |
| OPERATING LUMP SUM APPROPRIATION | 1,106,500 | 949,650 |
| ECONOMIC SECURITY, DEPARTMENT OF | | |
| ADM ATTORNEY GENERAL LEGAL SERVICES | 90,400 | 13,987 |
| ADM OPERATING LUMP SUM | 39,500 | 0 |
| ADM OPERATING LUMP SUM-PAC FUND | 337,200 | 168,065 |
| ADMINISTRATIVE ADJUSTMENTS | 21,202 | 21,202 |
| ADMINISTRATIVE ADJUSTMENTS | 453,700 | 453,700 |
| ADMINISTRATIVE ADJUSTMENTS | 2,170 | 2,170 |
| ADMINISTRATIVE ADJUSTMENTS | 122,235 | 122,235 |
| ADMINISTRATIVE ADJUSTMENTS | 126,143 | 126,143 |
| ADMINISTRATIVE ADJUSTMENTS | 61,311 | 61,311 |
| ADMINISTRATIVE ADJUSTMENTS | 31,443 | 31,443 |
| ADMINISTRATIVE ADJUSTMENTS | 48,526 | 48,526 |
| CASH TRANSFER TO GENERAL FUND | 1,143,300 | 1,143,300 |
| CASH TRANSFER TO GENERAL FUND | 278,500 | 278,500 |
| CASH TRANSFER TO GENERAL FUND | 92,200 | 92,200 |
| CASH TRANSFER TO GENERAL FUND | 1,143,800 | 1,143,800 |
| CASH TRANSFER TO GENERAL FUND | 1,284,900 | 1,284,900 |
| DACS DOMESTIC VIOLENCE PREVENTION | 2,220,000 | 2,219,757 |
| DCYF CHILD ABUSE PREVENTION | 709,100 | 0 |
| DCYF CHILDREN SUPPORT SVCS - CAP | 750,000 | 0 |
| DCYF OPERATING LUMP SUM APPROPRIATION | 209,600 | 84,256 |
| DDD AUTISM TRAINING & OVERSIGHT | 200,000 | 5,731 |
| DEERS INDEPENDENT LIVING REHAB SERVICES | 1,123,400 | 374,707 |
| DEERS OPERATING LUMP SUM | 507,800 | 268,072 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------------------|-------------------------------------|----------------------------------|
| DERS OPERATING LUMP SUM - SPECIAL ADMIN | 24,400 | 24,400 |
| DERS VOCATIONAL REHABILITATION SERVICES | 204,700 | 41,067 |
| JOBS | 1,110,900 | 0 |
| EDUCATION, DEPARTMENT OF | | |
| ACHIEVEMENT TESTING - PROP 301 | 4,670,200 | 91 |
| ACHIEVEMENT TESTING - PROP 301 FY08 - 09 | 2,210,002 | 1,669,713 |
| ADDITIONAL SCHOOL DAYS - PROP301 | 86,280,500 | 86,280,500 |
| ADDITIONAL SCHOOL DAYS - PROP301 FY08 - 09 | 14,680,083 | 14,680,083 |
| CASH TRANSFER TO GENERAL FUND | 356,400 | 356,400 |
| CHARACTER EDUCATION - PROP 301 | 200,000 | 0 |
| CHARACTER EDUCATION - PROP 301 FY08 - 09 | 186,606 | 129,763 |
| FAILING SCHOOL TUTORING FUND - PROP 301 | 0 | -142 |
| FAILING SCHOOL TUTORING FUND - PROP 301 | 1,500,000 | 149,591 |
| FAILING SCHOOL TUTORING FUND - PROP 301 | 1,248,261 | 1,248,226 |
| SCHOOL ACCOUNTABILITY FUND - PROP 301 | 2,329,800 | 1,943,543 |
| SCHOOL ACCOUNTABILITY FUND - PROP 301 FY 06-07 | 82,979 | 82,979 |
| SCHOOL ACCOUNTABILITY FUND - PROP 301 FY 07-08 | 329,285 | 46,184 |
| SCHOOL ACCOUNTABILITY FUND - PROP 301 FY 08-09 | 3,546,658 | 2,335,151 |
| SCHOOL ACCOUNTABILITY-SCH SAFETY - PROP301 | 7,800,000 | 7,768,482 |
| SCHOOL ACCOUNTABILITY-SCH SAFETY - PROP301 FY08-09 | 795,954 | 795,954 |
| EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 120,100 | 120,100 |
| OPERATING LUMP SUM - EMERGENCY MANAGEMENT | 132,700 | 71,197 |
| ENVIRONMENTAL QUALITY, DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 721 | 721 |
| ADMINISTRATIVE ADJUSTMENTS | 19,131 | 19,131 |
| ADMINISTRATIVE ADJUSTMENTS | 50 | 50 |
| ADMINISTRATIVE ADJUSTMENTS | 281,743 | 281,743 |
| ADMINISTRATIVE ADJUSTMENTS | 15,177 | 15,177 |
| ADMINISTRATIVE ADJUSTMENTS | 153,671 | 153,671 |
| ADMINISTRATIVE ADJUSTMENTS | 16,434 | 16,434 |
| ADMINISTRATIVE ADJUSTMENTS | 899 | 899 |
| ADMINISTRATIVE ADJUSTMENTS | 24,510 | 24,510 |
| AIR QUALITY FEE FUND STATE TRANSFERS | 400,000 | 400,000 |
| AIR QUALITY MANAGEMENT AND ANALYSIS | 5,252,000 | 5,173,776 |
| AIR QUALITY MANAGEMENT AND ANALYSIS | 3,705,900 | 3,294,568 |
| AIR QUALITY MANAGEMENT AND ANALYSIS | 0 | 0 |
| AIR QUALITY PROGRAM - CONTINUING FY01 - 02 | 186,035 | 0 |
| AIR QUALITY PROGRAM - CONTINUING FY02 - 03 | 182,451 | 0 |
| AZ POLLUTION DISCHARGE ELIMINATION | 0 | 0 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|-------------------------------------|----------------------------------|
| CASH TRANSFER TO GENERAL FUND | 224,200 | 224,200 |
| CASH TRANSFER TO GENERAL FUND | 692 | 692 |
| CASH TRANSFER TO GENERAL FUND | 3,181,200 | 3,181,200 |
| CASH TRANSFER TO GENERAL FUND | 1,437,200 | 1,437,200 |
| CASH TRANSFER TO GENERAL FUND | 347,000 | 347,000 |
| CASH TRANSFER TO GENERAL FUND | 1,530,500 | 1,530,500 |
| CASH TRANSFER TO GENERAL FUND | 2,875,800 | 2,875,800 |
| CASH TRANSFER TO GENERAL FUND | 210,800 | 210,800 |
| CASH TRANSFER TO GENERAL FUND | 466,500 | 466,500 |
| CASH TRANSFER TO GENERAL FUND | 574,500 | 574,500 |
| CASH TRANSFER TO GENERAL FUND | 804,500 | 804,500 |
| CASH TRANSFER TO GENERAL FUND | 8,749,700 | 8,749,700 |
| CASH TRANSFER TO GENERAL FUND | 376,700 | 376,700 |
| CASH TRANSFER TO GENERAL FUND | 119,100 | 119,100 |
| CASH TRANSFER TO GENERAL FUND | 20,570,328 | 20,570,328 |
| CASH TRANSFER TO GENERAL FUND | 4,578,900 | 4,578,900 |
| CLEAN WATER REVOLVING FUND SUPPLEMENTAL | 5,000,000 | 4,487,894 |
| COUNTIES TRAVEL DEDUCTION PLAN | 1,638,100 | 1,086,298 |
| DRINKING WATER REGULATION PROGRAM | 0 | 0 |
| DRINKING WATER REGULATION PROGRAM | 0 | 0 |
| DRINKING WATER REVOLVING LOAN PROGRAM | 0 | 0 |
| EMISSIONS CAP & TRADING PROGRAM | 266,582 | 0 |
| EMISSIONS CAP & TRADING PROGRAM | 70,576 | 0 |
| EMISSIONS CONTROL - CONTRACTOR PAYMENTS | 27,328,300 | 19,630,489 |
| EMISSIONS CONTROL PROGRAM-ADMINISTRATION | 4,150,200 | 2,694,977 |
| POLITICAL SUBDIVISIONS ASSISTANCE | 18,500 | 0 |
| ROADSIDE DIESEL EMISSIONS TESTING PROG | 200,000 | 0 |
| SURFACE WATER REGULATION PROGRAM | 0 | 0 |
| TRANSFERS TO COUNTIES PROGRAM | 145,700 | 41,250 |
| UNDERGROUND STORAGE TANK PROGRAM | 10,000 | 0 |
| UNDERGROUND STORAGE TANK PROGRAM | 2,000 | 0 |
| UNDERGROUND STORAGE TANK PROGRAM | 10,000 | 2,787 |
| UNDERGROUND STORAGE TANK TECH APPEALS | 7,500 | 0 |
| UNDERGROUND WATER REGULATION PROGRAM | 0 | 0 |
| VISIBILITY INDEX DEVELOPMENT | 80,589 | 0 |
| WASTE CONTROL AND MANAGEMENT | 0 | 0 |
| WASTE CONTROL AND MANAGEMENT | 0 | 0 |
| WASTE CONTROL AND MANAGEMENT | 740,900 | 428,036 |
| WASTE CONTROL AND MANAGEMENT | 1,119,000 | 887,772 |
| WASTE CONTROL AND MANAGEMENT | 912,200 | 871,150 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------------|-------------------------------------|----------------------------------|
| WASTE CONTROL AND MANAGEMENT | 138,300 | 14,077 |
| WASTE TIRE PROGRAM | 44,700 | 40,626 |
| WATER QUALITY PROGRAM | 5,210,200 | 3,500,723 |
| FINANCIAL INSTITUTIONS, DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 254,800 | 254,800 |
| CASH TRANSFER TO GENERAL FUND | 1,568,700 | 1,568,700 |
| CASH TRANSFER TO GENERAL FUND | 143,200 | 143,200 |
| FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 141,000 | 141,000 |
| FORESTER, OFFICE OF THE STATE | | |
| CASH TRANSFER TO GENERAL FUND | 438,000 | 438,000 |
| FUNERAL DIRECTORS & EMBALMERS, STATE BOARD OF | | |
| OPERATING LUMP SUM APPROPRIATION | 351,200 | 274,840 |
| GAME AND FISH DEPARTMENT, ARIZONA | | |
| ADMINISTRATIVE ADJUSTMENTS | 327,938 | 327,938 |
| BECKER LAKE FACILITIES IMPROVEMENTS | 71,471 | 48,499 |
| BECKER LAKE WILDLIFE AREA BRIDGE | 18,525 | 204 |
| BELLEMONT SHOOTING RANGE FY05 | 800,000 | 800,000 |
| BEN AVERY IMPROVEMENTS | 950,000 | 567,555 |
| BLACK CANYON DAM MODIFICATIONS FY06 | 499,000 | 707 |
| BLACK CANYON DAM MODIFICATIONS FY07 | 260,016 | 14,202 |
| BOAT REGISTRATION KIOSKS | 240,000 | 0 |
| BOAT REGISTRATION KIOSKS | 240,000 | 0 |
| BOAT SHADE CANOPIES | 46,342 | 0 |
| BOAT SHADE CANOPIES | 120,000 | 0 |
| BUILDING RENEWAL FY08 - 09 | 213,996 | 162,455 |
| BUILDING RENEWAL FY09 - 10 | 473,200 | 317,768 |
| CASH TRANSFER TO GENERAL FUND | 951,500 | 951,500 |
| CASH TRANSFER TO GENERAL FUND | 1,339,900 | 1,339,900 |
| CASH TRANSFER TO GENERAL FUND | 79,600 | 79,600 |
| FLAGSTAFF SHOOTING RANGE DEV 00/01 | 33,349 | 27,804 |
| FLAGSTAFF SHOOTING RANGE PLNG 01/02 | 436,679 | 323,100 |
| FLAGSTAFF SHOOTING RANGE PLNG 02/03 | 499,900 | 0 |
| FLOOD WARNING SYSTEM | 29,617 | 17,495 |
| HEADQUARTERS SECURITY SYSTEM | 1,775 | 1,774 |
| LAKE HAVASU SHOOTING RANGE DEVELOPMENT | 297,502 | 337 |
| LOWER COLORADO MULTI-SPECIES CONSERVATN | 350,000 | 350,000 |
| MIGRATORY WATERFOWL DEV 00/01 | 43,110 | 9,209 |
| MIGRATORY WATERFOWL DEVELOPMENT | 61,715 | 0 |
| MIGRATORY WATERFOWL DEVELOPMENT 01/02 | 56,500 | 45,000 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------------|-------------------------------------|----------------------------------|
| MIGRATORY WATERFOWL DEVELOPMENT 02/03 | 53,119 | 0 |
| MIGRATORY WATERFOWL HABITAT FY06 | 77,995 | 0 |
| MIGRATORY WATERFOWL HABITAT FY07 | 99,775 | 7,333 |
| OPERATING LUMP SUM APPROPRIATION | 332,000 | 311,435 |
| OPERATING LUMP SUM APPROPRIATION | 2,647,000 | 2,154,005 |
| OPERATING LUMP SUM APPROPRIATION | 16,000 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 30,955,800 | 26,303,065 |
| OPERATING LUMP SUM APPROPRIATION | 43,400 | 19,211 |
| PERFORMANCE INCENTIVE PAY PROGRAM | 300,000 | 300,000 |
| PERFORMANCE INCENTIVE PAY PROGRAM | 46,800 | 46,800 |
| PITTMAN-ROBERTSON/DINGELL-JOHNSON ACT | 3,808,000 | 3,808,000 |
| RADIO TOWER | 250,000 | 0 |
| REGIONAL (KINGMAN) OFFICE REMODEL/EXP | 889,500 | 1,764 |
| REGIONAL (MESA) OFFICE REMODEL/EXPANSION | 250,000 | 161,340 |
| REGIONAL (PINETOP) OFFICE CANOPIES | 30,000 | 0 |
| REGIONAL (PINETOP) OFFICE PAVING PROJECT | 75,000 | 0 |
| REGIONAL (YUMA) OFFICE REMODEL/EXPANSION | 954,000 | 1,593 |
| REGIONAL (FLAGSTAFF) OFFICE REMODEL/EXPANSION | 911,493 | 774,171 |
| ROBBINS BUTTE LEVEE | 138,454 | 60,181 |
| SHOOTING RANGE ACCESS IMPROVEMENTS | 150,000 | 82,435 |
| SHOOTING RANGE DEV/GRANTS PROGRAM FY09 | 17,758 | 15,713 |
| SHOOTING RANGE IMPROVEMENTS | 375 | 165 |
| SHOOTING RANGE IMPROVEMENTS | 3 | 0 |
| SILVER CREEK HATCHERY REMODEL/EXPANSION | 1,900,000 | 712 |
| STATEWIDE PREVENTATIVE MAINTENANCE | 4 | 0 |
| STATEWIDE PREVENTATIVE MAINTENANCE | 30,000 | 27,201 |
| STATEWIDE PREVENTATIVE MAINTENANCE | 110 | 0 |
| TONTO CREEK HATCHERY IMPROVEMENTS FY05 | 133,134 | 133,095 |
| TRI-STATE SHOOTING RANGE DEV. FY05 | 299,649 | 0 |
| WATERCRAFT GRANT PROGRAM | 250,000 | 0 |
| WATERCRAFT SAFETY EDUCATION PROGRAM | 1,175,000 | 914,002 |
| YUMA OFFICE FENCE | 10,000 | 0 |
| YUMA OFFICE SECURITY SYSTEM | 30,000 | 0 |
| GAMING, DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 426 | 426 |
| CASINO OPERATION CERTIFICATION | 1,986,200 | 1,824,745 |
| JOINT MONITORING SYSTEM | 233,300 | 126,214 |
| OPERATING LUMP SUM APPROPRIATION | 8,685,400 | 7,725,222 |
| PROBLEM GAMBLING | 1,977,000 | 1,499,151 |
| PROBLEM GAMBLING | 300,000 | 300,000 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|------------------------------------------|-------------------------------------|----------------------------------|
| GEOLOGICAL SURVEY, ARIZONA | | |
| CASH TRANSFER TO GENERAL FUND | 49,300 | 49,300 |
| GOVERNOR, OFFICE OF THE | | |
| CASH TRANSFER TO GENERAL FUND | 400 | 400 |
| HEALTH SERVICES, DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 70,013 | 70,013 |
| ADMINISTRATIVE ADJUSTMENTS | 50,154 | 50,154 |
| ADMINISTRATIVE ADJUSTMENTS | 207 | 207 |
| ADMINISTRATIVE ADJUSTMENTS | 1,706,349 | 1,706,349 |
| ADMINISTRATIVE ADJUSTMENTS | 59,913 | 59,913 |
| ADMINISTRATIVE ADJUSTMENTS | 19,166 | 19,166 |
| ADMINISTRATIVE ADJUSTMENTS | 392,754 | 392,754 |
| ADMINISTRATIVE ADJUSTMENTS | 87,011 | 87,011 |
| ADMINISTRATIVE ADJUSTMENTS | 10,134 | 10,134 |
| ADMINISTRATIVE ADJUSTMENTS | 6,163 | 6,163 |
| ALZHEIMER DISEASE RESEARCH | 1,000,000 | 0 |
| ASSURANCE AND LICENSURE | 38,000 | 28,695 |
| ATTORNEY GENERAL LEGAL SERVICES | 42,900 | 17,128 |
| CASH TRANSFER TO GENERAL FUND | 41,300 | 41,300 |
| CASH TRANSFER TO GENERAL FUND | 1,726,400 | 1,726,400 |
| CASH TRANSFER TO GENERAL FUND | 813,800 | 813,800 |
| CASH TRANSFER TO GENERAL FUND | 135,300 | 135,300 |
| CHILD FATALITY REVIEW TEAM | 99,100 | 99,100 |
| CHILD FATALITY REVIEW TEAM | 126,300 | 108,461 |
| COMMUNITY HEALTH CENTERS | 0 | 0 |
| EMS OPERATIONS | 2,793,000 | 2,517,944 |
| FOLIC ACID | 400,000 | 338,640 |
| HIGH RISK PERINATAL SERVICES | 386,300 | 246,561 |
| LABORATORY SERVICES | 935,200 | 690,189 |
| LICENSING FEES - ASSURANCE AND LICENSURE | 4,493,400 | 4,183,954 |
| LOAN REPAYMENT | 557,900 | 163,825 |
| MENTAL HEALTH - NON-TITLE XIX | 500,000 | 500,000 |
| MENTAL HLTH & SUBST ABUSE ST MCH T-XIX | 3,600,000 | 3,600,000 |
| NEWBORN SCREENING FUND - INDIRECT COSTS | 478,600 | 478,600 |
| NEWBORN SCREENING PROGRAM | 6,334,100 | 5,206,872 |
| OPERATING LUMP SUM APPROPRIATION | 718,700 | 652,381 |
| OPERATING LUMP SUM APPROPRIATION | 179,700 | 62,700 |
| RELIEF BILL CASH TRANSFER FY10 | 68,518 | 68,518 |
| SERIOUSLY MENTALLY ILL NON-TXIX | 31,824,800 | 30,906,305 |
| SERVICE FEES INCREASE | 600,000 | 567,077 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------|
| SUBSTANCE ABUSE - NON TITLE XIX | 750,000 | 500,000 |
| SUBSTANCE ABUSE - NON TITLE XIX | 1,500,000 | 583,333 |
| TRAUMA ADVISORY BOARD | 350,000 | 315,784 |
| HOMEOPATHIC & INTEGRATED MEDICINE EXAMINERS, BOARD OF | | |
| OPERATING LUMP SUM APPROPRIATION | 104,900 | 104,836 |
| HOUSING, ARIZONA DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 7,700,000 | 7,700,000 |
| CASH TRANSFER TO GENERAL FUND | 6,555,100 | 6,555,100 |
| OPERATING LUMP SUM APPROPRIATION | 949,600 | 949,535 |
| INDUSTRIAL COMMISSION OF ARIZONA | | |
| ADMINISTRATIVE ADJUSTMENTS | 9,610 | 9,610 |
| CASH TRANSFER TO GENERAL FUND CH12 S44 | 3,673,900 | 3,673,900 |
| OPERATING LUMP SUM APPROPRIATION | 19,983,100 | 16,671,806 |
| INSURANCE, DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 1,144,700 | 1,144,700 |
| CASH TRANSFER TO GENERAL FUND | 200 | 200 |
| CASH TRANSFER TO GENERAL FUND | 200 | 200 |
| CASH TRANSFER TO GENERAL FUND CH12 S44 | 32,100 | 32,100 |
| JUVENILE CORRECTIONS, DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 100 | 100 |
| CASH TRANSFER TO GENERAL FUND | 130,600 | 130,600 |
| OPERATING LUMP SUM APPROPRIATION | 556,000 | 556,000 |
| LAND DEPARTMENT, STATE | | |
| NATURAL RESOURCE CONSERVATION DISTRICTS | 260,000 | 182,500 |
| LIQUOR, LICENSES & CONTROL, DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 506,300 | 506,300 |
| MEDICAL EXAMINERS BOARD | | |
| ADMINISTRATIVE ADJUSTMENTS | 7,765 | 7,765 |
| OPERATING LUMP SUM APPROPRIATION | 5,853,400 | 4,868,852 |
| PERFORMANCE BASED INCENTIVE PROGRAM | 70,300 | 70,032 |
| MINE INSPECTOR, STATE | | |
| RECLAMATION | 155,800 | 96,895 |
| MINES & MINERAL RESOURCES, DEPARTMENT OF | | |
| CASH TRANSFER TO GENERAL FUND | 68,600 | 68,600 |
| NATUROPATHIC PHYSICIANS MEDICAL BOARD | | |
| ADMINISTRATIVE ADJUSTMENTS | 1,773 | 1,773 |
| ADMINISTRATIVE ADJUSTMENTS | 4,137 | 4,137 |
| OPERATING LUMP SUM APPROPRIATION | 423,360 | 422,122 |
| OPERATING LUMP SUM APPROPRIATION | 181,440 | 180,907 |
| NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF | | |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|-----------------------------------------------------------------------|-------------------------------------|----------------------------------|
| ADMINISTRATIVE ADJUSTMENTS | 136 | 136 |
| OPERATING LUMP SUM APPROPRIATION | 379,600 | 327,207 |
| NURSING, STATE BOARD OF | | |
| OPERATING LUMP SUM APPROPRIATION | 4,153,900 | 3,952,216 |
| OCCUPATIONAL THERAPY EXAMINERS, BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 208 | 208 |
| ADMINISTRATIVE ADJUSTMENTS | 803 | 803 |
| OPERATING LUMP SUM APPROPRIATION | 100,070 | 98,057 |
| OPERATING LUMP SUM APPROPRIATION | 146,430 | 144,330 |
| OPTICIANS, STATE BOARD OF DISPENSING | | |
| ADMINISTRATIVE ADJUSTMENTS | 440 | 440 |
| OPERATING LUMP SUM APPROPRIATION | 125,200 | 124,930 |
| OPTOMETRY, STATE BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 1,934 | 1,934 |
| OPERATING LUMP SUM APPROPRIATION | 203,400 | 194,031 |
| OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 893 | 893 |
| OPERATING LUMP SUM APPROPRIATION | 702,000 | 659,011 |
| PARENTS COMMISSION ON DRUG EDUCATION & PREVENTION, ARIZONA | | |
| CASH TRANSFER TO GENERAL FUND | 2,460,600 | 2,460,600 |
| PARKS BOARD, ARIZONA STATE | | |
| ADMINISTRATIVE ADJUSTMENTS | 22,074 | 22,074 |
| ARIZONA TRAIL | 125,000 | 0 |
| CASH TRANSFER TO GENERAL FUND | 14,341,300 | 14,341,300 |
| CASH TRANSFER TO GENERAL FUND | 233,600 | 233,600 |
| CASH TRANSFER TO GENERAL FUND | 1,084,700 | 1,084,700 |
| CASH TRANSFER TO GENERAL FUND | 96,600 | 96,600 |
| CASH TRANSFER TO GENERAL FUND | 4,967,300 | 4,967,300 |
| KARTCHNER CAVERNS STATE PARK | 455,000 | 340,072 |
| OFF HIGHWAY VEHICLE PARKS OPERATIONS | 692,100 | 683,048 |
| OPERATING LUMP SUM APPROPRIATION | 967,700 | 0 |
| PARKS HERITAGE FUND TO FIRE SUPPRESSION | 3,000,000 | 3,000,000 |
| SLIF LB & I 90-91 | 1,500 | 0 |
| PEST MANAGEMENT, OFFICE OF | | |
| OPERATING LUMP SUM APPROPRIATION | 2,663,200 | 2,013,857 |
| SERVICE FEES INCREASE | 875,000 | 147,780 |
| PHARMACY, ARIZONA STATE BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 439 | 439 |
| CONTROLLED SUB PRESCRIP MONITORING PROGRAM | 140,000 | 140,000 |
| OPERATING LUMP SUM APPROPRIATION | 1,931,400 | 1,649,463 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|---------------------------------------------------------|-------------------------------------|----------------------------------|
| PHYSICAL THERAPY EXAMINERS, BOARD OF | | |
| OPERATING LUMP SUM APPROPRIATION | 362,000 | 321,576 |
| PODIATRY EXAMINERS, STATE BOARD OF | | |
| OPERATING LUMP SUM APPROPRIATION | 144,500 | 117,532 |
| POSTSECONDARY EDUCATION, COMMISSION FOR | | |
| ARIZONA COLLEGE AND CAREER GUIDE | 21,200 | 13,705 |
| AZ MINORITY ED POLICY ANALYSIS CENTER | 100,300 | 97,120 |
| FAMILY COLLEGE SAVINGS PROGRAM | 152,600 | 151,800 |
| LEVERAGING EDUCATIONAL ASSISTANCE PRSHIP | 3,043,700 | 2,825,403 |
| OPERATING LUMP SUM APPROPRIATION | 406,200 | 133,309 |
| TWELVE PLUS PARTNERSHIP | 130,800 | 74,198 |
| PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR | | |
| OPERATING LUMP SUM APPROPRIATION | 337,100 | 335,029 |
| PSYCHOLOGIST EXAMINERS, STATE BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 15 | 15 |
| OPERATING LUMP SUM APPROPRIATION | 401,800 | 324,901 |
| PUBLIC SAFETY, DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 194 | 194 |
| ADMINISTRATIVE ADJUSTMENTS | 156,225 | 156,225 |
| ADMINISTRATIVE ADJUSTMENTS | 303,399 | 303,399 |
| CASH TRANSFER BETWEEN FUNDS | 294,800 | 294,800 |
| CASH TRANSFER TO GENERAL FUND | 7,093,800 | 7,093,800 |
| CASH TRANSFER TO GENERAL FUND | 345,900 | 345,900 |
| CASH TRANSFER TO GENERAL FUND | 762,400 | 762,400 |
| CASH TRANSFER TO GENERAL FUND | 971,600 | 971,600 |
| CASH TRANSFER TO GENERAL FUND | 3,649,500 | 3,649,500 |
| CASH TRANSFER TO GENERAL FUND | 1,065,600 | 1,065,600 |
| CASH TRANSFER TO GENERAL FUND | 820,900 | 820,900 |
| CASH TRANSFER TO GENERAL FUND | 4,371,800 | 4,371,800 |
| CASH TRANSFER TO GENERAL FUND | 2,931,100 | 2,931,100 |
| CASH TRANSFER TO GENERAL FUND | 600,600 | 600,600 |
| CASH TRANSFER TO GENERAL FUND | 971,500 | 971,500 |
| DNA TESTING | 980,000 | 980,000 |
| DNA TESTING | 230,451 | 0 |
| DNA TESTING | 678,704 | 0 |
| DNA TESTING | 938,531 | 0 |
| DNA TESTING | 1,258,331 | 0 |
| MOTOR VEHICLE FUEL | 0 | 0 |
| OPERATING LUMP SUM APPROPRIATION | 3,021,300 | 2,969,892 |
| OPERATING LUMP SUM APPROPRIATION | 2,863,100 | 2,863,100 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|---------------------------------------------|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM APPROPRIATION | 3,042,400 | 1,998,900 |
| OPERATING LUMP SUM APPROPRIATION | 18,554,900 | 18,193,958 |
| OPERATING LUMP SUM APPROPRIATION | 5,115,600 | 4,833,252 |
| OPERATING LUMP SUM APPROPRIATION | 3,023,300 | 2,199,500 |
| PHOTO ENFORCEMENT FUND-DPS OPERATING | 2,173,000 | 1,841,804 |
| PHOTO ENFORCEMENT FUND-VENDOR PAYMENTS | 20,361,300 | 8,110,255 |
| PHOTO ENFORCEMENT-ADMIN OFFICE OF COURTS | 4,056,600 | 4,056,600 |
| PHOTO ENFORCEMENT-GENERAL FUND REVERSION | 26,830,418 | 26,830,418 |
| PUBLIC SAFETY EQUIPMENT | 2,500,000 | 0 |
| PUBLIC SAFETY EQUIPMENT | 3,000,000 | 271,281 |
| RACING, ARIZONA DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 7,868 | 7,868 |
| ADMINISTRATIVE ADJUSTMENTS | 2,821 | 2,821 |
| CASH TRANSFER TO GENERAL FUND | 131,300 | 131,300 |
| CASH TRANSFER TO GENERAL FUND | 20,000 | 20,000 |
| CASH TRANSFER TO GENERAL FUND | 242,600 | 242,600 |
| OPERATING LUMP SUM APPROPRIATION | 0 | -6 |
| RADIATION REGULATORY AGENCY | | |
| ADMINISTRATIVE ADJUSTMENTS | 181 | 181 |
| CASH TRANSFER TO GENERAL FUND | 21,300 | 21,300 |
| OPERATING LUMP SUM APPROPRIATION | 269,300 | 220,714 |
| RESIDENTIAL UTILITY CONSUMER OFFICE | | |
| ADMINISTRATIVE ADJUSTMENTS | 110 | 110 |
| CASH TRANSFER TO GENERAL FUND | 319,200 | 319,200 |
| OPERATING LUMP SUM APPROPRIATION | 1,163,700 | 945,025 |
| PROFESSIONAL WITNESSES | 113,849 | 0 |
| PROFESSIONAL WITNESSES | 145,000 | 59,341 |
| PROFESSIONAL WITNESSES FY02 - 03 | 763 | 763 |
| PROFESSIONAL WITNESSES FY03 - 04 | 16,194 | 13,207 |
| PROFESSIONAL WITNESSES FY04 - 05 | 11,928 | 11,928 |
| PROFESSIONAL WITNESSES FY05 - 06 | 45,569 | 30,593 |
| PROFESSIONAL WITNESSES FY06 - 07 | 119,576 | 110,267 |
| PROFESSIONAL WITNESSES FY07 - 08 | 114,464 | 26,709 |
| RESPIRATORY CARE EXAMINERS, BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 2,017 | 2,017 |
| OPERATING LUMP SUM APPROPRIATION | 263,100 | 263,073 |
| RELIEF BILL CASH TRANSFER FY10 | 423 | 423 |
| REVENUE, DEPARTMENT OF | | |
| OPERATING LUMP SUM APPROPRIATION | 667,300 | 667,242 |
| SECRETARY OF STATE | | |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------------|-------------------------------------|----------------------------------|
| CASH TRANSFER TO GENERAL FUND | 77,300 | 77,300 |
| SUPREME COURT | | |
| ADMINISTRATIVE ADJUSTMENTS | 18,951 | 18,951 |
| CASE AND CASH MANAGEMENT SYSTEM | 625,800 | 569,950 |
| CASH TRANSFER TO GENERAL FUND | 2,355,500 | 2,355,500 |
| CASH TRANSFER TO GENERAL FUND | 700,000 | 700,000 |
| CASH TRANSFER TO GENERAL FUND | 620,400 | 620,400 |
| CASH TRANSFER TO GENERAL FUND | 674,800 | 674,800 |
| CASH TRANSFER TO GENERAL FUND | 500,000 | 500,000 |
| CASH TRANSFER TO GENERAL FUND | 31,600 | 31,600 |
| COMMUNITY PUNISHMENT | 500,000 | 495,932 |
| COMMUNITY PUNISHMENT | 1,820,400 | 1,274,589 |
| COURT APPOINTED SPECIAL ADVOCATE | 2,949,900 | 2,606,648 |
| FY09 CASH XFR TO GENERAL FUND | 110,300 | 110,300 |
| JUVENILE CRIME REDUCTION | 5,155,500 | 2,752,143 |
| OPERATING LUMP SUM APPROPRIATION | 488,700 | 300,699 |
| PHOTO ENFORCEMENT FUND | 4,056,600 | 1,636,640 |
| STATE AID | 2,945,500 | 2,746,003 |
| STATE AID | 3,037,400 | 1,988,441 |
| TECHNICAL REGISTRATION, STATE BOARD OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 2,284 | 2,284 |
| OPERATING LUMP SUM APPROPRIATION | 1,756,400 | 1,452,804 |
| VETERANS' SERVICES, DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 175 | 175 |
| OPERATING LUMP SUM APPROPRIATION | 751,800 | 747,268 |
| VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE | | |
| ADMINISTRATIVE ADJUSTMENTS | 275 | 275 |
| OPERATING LUMP SUM APPROPRIATION | 470,400 | 406,775 |
| WATER RESOURCES, DEPARTMENT OF | | |
| ASSURED & ADEQUATE WATER SUPPLY ADMIN | 951,600 | 155,962 |
| CASH TRANSFER TO GENERAL FUND | 240,800 | 240,800 |
| CASH TRANSFER TO GENERAL FUND | 123,000 | 123,000 |
| CASH TRANSFER TO GENERAL FUND | 173,000 | 173,000 |
| CASH TRANSFER TO GENERAL FUND | 378,400 | 378,400 |
| CASH TRANSFER TO GENERAL FUND | 231,200 | 231,200 |
| CASH TRANSFER TO GENERAL FUND | 2,388,100 | 2,388,100 |
| CASH TRANSFER TO GENERAL FUND | 11,283,300 | 11,283,300 |
| WEIGHTS AND MEASURES, DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 10,293 | 10,293 |
| ADMINISTRATIVE ADJUSTMENTS | 26,879 | 26,879 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|---------------------------------------------------------------------|-------------------------------------|----------------------------------|
| ADMINISTRATIVE ADJUSTMENTS | 14,132 | 14,132 |
| CASH TRANSFER TO GENERAL FUND | 108,600 | 108,600 |
| OPERATING LUMP SUM - GENERAL SERVICES | 323,500 | 312,241 |
| OPERATING LUMP SUM - OXYGENATED FUEL | 860,300 | 785,416 |
| OPERATING LUMP SUM - VAPOR RECOVERY | 642,900 | 621,193 |
| TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES | \$ 909,208,339 | \$ 797,196,701 |

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 LAND ENDOWMENTS FUND
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Dollars)

| | FINAL BUDGET (Appropriations) | ACTUAL EXPENDITURE AMOUNTS |
|----------------------------------------------------------|-------------------------------------|----------------------------------|
| ADMINISTRATION, ARIZONA DEPARTMENT OF | | |
| ARCHIVES AND HISTORY BUILDING 05 LEG | \$ 93,151 | \$ 0 |
| CORRECTIONS, STATE DEPARTMENT OF | | |
| ADMINISTRATIVE ADJUSTMENTS | 252 | 252 |
| ADMINISTRATIVE ADJUSTMENTS | 691 | 691 |
| NON-HEALTH CARE ALL OTHER OPERATING EXP | 360,000 | 337,033 |
| PROVISIONAL BEDS | 979,200 | 979,200 |
| STATE CHAR PEN/RET LAND EARNINGS | 800,000 | 0 |
| DEAF AND BLIND, ARIZONA SCHOOLS FOR THE | | |
| OPERATING LUMP SUM - PHOENIX | 6,204,800 | 5,866,310 |
| OPERATING LUMP SUM - PRESCHOOL/OUTREACH | 3,027,200 | 3,025,055 |
| OPERATING LUMP SUM - REGIONAL COOPERATIVES | 0 | 0 |
| OPERATING LUMP SUM - TUCSON | 5,574,600 | 5,063,601 |
| EDUCATION, DEPARTMENT OF | | |
| BASIC STATE AID ENTITLEMENT | 46,475,500 | 16,269,378 |
| HEALTH SERVICES, DEPARTMENT OF | | |
| OPERATING LUMP SUM APPROPRIATION | 1,150,000 | 420,066 |
| JUVENILE CORRECTIONS, DEPARTMENT OF | | |
| OPERATING LUMP SUM APPROPRIATION | 1,098,600 | 1,098,600 |
| LAND DEPARTMENT, STATE | | |
| TRUST LAND MANAGEMENT FUND | 9,820,400 | 8,081,284 |
| PIONEERS' HOME, ARIZONA | | |
| ADMINISTRATIVE ADJUSTMENTS | 2,210 | 2,210 |
| OPERATING LUMP SUM APPROPRIATION | 2,998,300 | 2,600,416 |
| OPERATING LUMP SUM APPROPRIATION | 3,485,000 | 3,358,576 |
| PRESCRIPTION DRUGS | 240,000 | 182,491 |
| TOTAL LAND ENDOWMENTS FUND BUDGETARY EXPENDITURES | \$ 82,309,904 | \$ 47,285,163 |

NON-MAJOR GOVERNMENTAL FUNDS DEBT SERVICE FUNDS

The Lottery Fund administers the payment of principal and interest on the Lottery Revenue Bonds issued by the State of Arizona (acting by and through the Director of the Department of Administration).

The Department of Transportation Fund administers the payment of principal and interest on the Highway Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Maricopa Regional Area Road Fund (RARF) administers the payment of principal and interest on the Arizona Transportation Excise Tax Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Certificates of Participation Fund administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previously issued certificates of participation.

The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds issued by the State of Arizona's School Facilities Board and the retirement of previously issued revenue bonds.

The Grant Anticipation Notes Fund administers the payment of principal and interest on grant anticipation notes issued by the Arizona Department of Transportation Board and the retirement of previously issued grant anticipation notes.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | LOTTERY | DEPARTMENT OF TRANSPORTATION | MARICOPA RARF | CERTIFICATES OF PARTICIPATION |
|-----------------------------------------------------|-----------------|---------------------------------|------------------|----------------------------------|
| ASSETS | | | | |
| Cash and pooled investments with State Treasurer | \$ - | \$ - | \$ - | \$ 1,004 |
| Due from other Funds | 2,255 | - | - | - |
| Restricted assets: | | | | |
| Cash and pooled investments with State Treasurer | - | 1,965 | 233 | - |
| Cash held by trustee | - | - | - | 1,316 |
| Total Assets | <u>\$ 2,255</u> | <u>\$ 1,965</u> | <u>\$ 233</u> | <u>\$ 2,320</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ - | \$ - | \$ - | \$ 307 |
| Due to other Funds | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>307</u> |
| Fund Balances: | | | | |
| Reserved for debt service | \$ 2,255 | \$ 1,965 | \$ 233 | \$ 2,013 |
| Total Liabilities and Fund Balances | <u>\$ 2,255</u> | <u>\$ 1,965</u> | <u>\$ 233</u> | <u>\$ 2,320</u> |

| SCHOOL FACILITIES DEBT INSTRUMENT | GRANT ANTICIPATION NOTES | TOTAL |
|--------------------------------------------|--------------------------------|-----------|
| \$ 20,235 | \$ - | \$ 21,239 |
| - | - | 2,255 |
| - | 188 | 2,386 |
| - | - | 1,316 |
| \$ 20,235 | \$ 188 | \$ 27,196 |

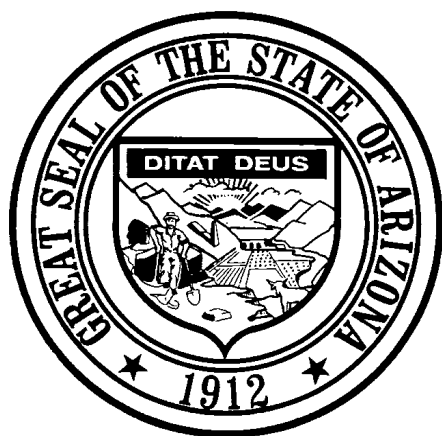
| | | |
|------|------|--------|
| \$ - | \$ - | \$ 307 |
| 500 | - | 500 |
| 500 | - | 807 |

| | | |
|-----------|--------|-----------|
| \$ 19,735 | \$ 188 | \$ 26,389 |
| \$ 20,235 | \$ 188 | \$ 27,196 |

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | LOTTERY | DEPARTMENT OF TRANSPORTATION | MARICOPA RARF | CERTIFICATES OF PARTICIPATION |
|-----------------------------------------------|----------|---------------------------------|------------------|----------------------------------|
| REVENUES | | | | |
| Sales taxes | \$ - | \$ - | \$ - | \$ - |
| Earnings on investments | - | 1,169 | 199 | 3 |
| Total Revenues | - | 1,169 | 199 | 3 |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | - | 68,140 | 33,315 | 32,965 |
| Interest and other fiscal charges | - | 87,699 | 38,241 | 16,458 |
| Total Expenditures | - | 155,839 | 71,556 | 49,423 |
| (Deficiency) of Revenues Over Expenditures | - | (154,670) | (71,357) | (49,420) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,255 | 154,184 | 71,210 | 48,856 |
| Transfers out | - | - | - | (3,018) |
| Total Other Financing Sources (Uses) | 2,255 | 154,184 | 71,210 | 45,838 |
| Net Change in Fund Balances | 2,255 | (486) | (147) | (3,582) |
| Fund Balances - Beginning | - | 2,451 | 380 | 5,595 |
| Fund Balances - Ending | \$ 2,255 | \$ 1,965 | \$ 233 | \$ 2,013 |

| SCHOOL FACILITIES DEBT INSTRUMENT | GRANT ANTICIPATION NOTES | TOTAL |
|--------------------------------------------|--------------------------------|-----------|
| \$ 65,811 | \$ - | \$ 65,811 |
| 702 | 9 | 2,082 |
| 66,513 | 9 | 67,893 |
| 52,940 | 25,170 | 212,530 |
| 35,618 | 16,370 | 194,386 |
| 88,558 | 41,540 | 406,916 |
| (22,045) | (41,531) | (339,023) |
| 24,650 | 41,540 | 342,695 |
| (1,380) | - | (4,398) |
| 23,270 | 41,540 | 338,297 |
| 1,225 | 9 | (726) |
| 18,510 | 179 | 27,115 |
| \$ 19,735 | \$ 188 | \$ 26,389 |



NON-MAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS FUNDS

The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds issued by the Arizona Department of Transportation Board. These monies are expended for the construction of federal, state, and local highways.

The Grant Anticipation Notes Financed Fund administers proceeds from Arizona Transportation Board Grant Anticipation Notes. These monies are expended for the acquisition of right-of-way purchase, or construction of certain controlled access highways within Maricopa County.

The Certificates of Participation Financed Fund administers the proceeds from the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration). These monies are expended on various projects including new building construction and the development of the Human Resource Information System.

The Maricopa Regional Area Road Debt Financed Fund (MRARF) administers the bond proceeds from the Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bonds. These monies are spent on the construction of State highways within Maricopa County.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | DEPARTMENT OF TRANSPORTATION FINANCED | GRANT ANTICIPATION NOTES FINANCED | CERTIFICATES OF PARTICIPATION FINANCED | MRARF DEBT FINANCED |
|-----------------------------------------------------|---------------------------------------------|--------------------------------------------|----------------------------------------------|---------------------------|
| ASSETS | | | | |
| Collateral investment pool | \$ 5,301 | \$ - | \$ 2,233 | \$ 2,542 |
| Restricted assets: | | | | |
| Cash and pooled investments with State Treasurer | 94,986 | 56,210 | 21,308 | 104,121 |
| Cash held by trustee | - | - | 25,808 | - |
| Total Assets | <u>\$ 100,287</u> | <u>\$ 56,210</u> | <u>\$ 49,349</u> | <u>\$ 106,663</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ - | \$ - | \$ 1,700 | \$ - |
| Accrued liabilities | - | - | 13 | - |
| Obligations under securities loan agreements | 5,301 | - | 2,233 | 2,542 |
| Total Liabilities | <u>5,301</u> | <u>-</u> | <u>3,946</u> | <u>2,542</u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Highway construction | 94,986 | 56,210 | - | 104,121 |
| Other construction | - | - | 45,403 | - |
| Total Fund Balances | <u>94,986</u> | <u>56,210</u> | <u>45,403</u> | <u>104,121</u> |
| Total Liabilities and Fund Balances | <u>\$ 100,287</u> | <u>\$ 56,210</u> | <u>\$ 49,349</u> | <u>\$ 106,663</u> |

| TOTAL | |
|-------|---------|
| \$ | 10,076 |
| | 276,625 |
| | 25,808 |
| \$ | 312,509 |

| | |
|----|--------|
| \$ | 1,700 |
| | 13 |
| | 10,076 |
| | 11,789 |

| | |
|----|---------|
| | 255,317 |
| | 45,403 |
| | 300,720 |
| \$ | 312,509 |

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | DEPARTMENT OF TRANSPORTATION FINANCED | GRANT ANTICIPATION NOTES FINANCED | CERTIFICATES OF PARTICIPATION FINANCED | MRARF DEBT FINANCED |
|-----------------------------------------------|---------------------------------------------|--------------------------------------------|----------------------------------------------|---------------------------|
| REVENUES | | | | |
| Earnings on investments | \$ 1,978 | \$ 1,677 | \$ 1,326 | \$ 2,998 |
| Total Revenues | 1,978 | 1,677 | 1,326 | 2,998 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 27,701 | 3,110 | - | 3,191 |
| Debt service: | | | | |
| Interest and other fiscal charges | - | - | - | 121 |
| Capital outlay | 93,829 | 9,218 | 64,026 | 384,320 |
| Total Expenditures | 121,530 | 12,328 | 64,026 | 387,632 |
| (Deficiency) of Revenues Over Expenditures | (119,552) | (10,651) | (62,700) | (384,634) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (11,832) | - | (26) | - |
| Total Other Financing (Uses) | (11,832) | - | (26) | - |
| Net Change in Fund Balances | (131,384) | (10,651) | (62,726) | (384,634) |
| Fund Balances - Beginning | 226,370 | 66,861 | 108,129 | 488,755 |
| Fund Balances - Ending | \$ 94,986 | \$ 56,210 | \$ 45,403 | \$ 104,121 |

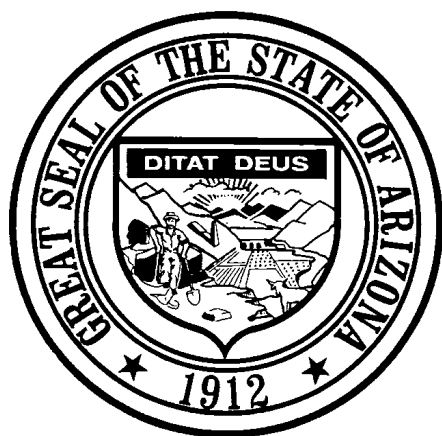
| TOTAL | |
|-------|-------|
| \$ | 7,979 |
| | 7,979 |

34,002

| | |
|--|---------|
| | 121 |
| | 551,393 |
| | 585,516 |

| | |
|--|-----------|
| | (577,537) |
|--|-----------|

| | |
|----|-----------|
| | (11,858) |
| | (11,858) |
| | (589,395) |
| | 890,115 |
| \$ | 300,720 |



NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution, and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

The Highway Expansion & Extension Loan Program provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Healthcare Group of Arizona administers prepaid medical coverage primarily to small, uninsured businesses with 50 or fewer employees and employees of political subdivisions. The Healthcare Group of Arizona processes premium billing, collections and fund disbursements, performs data analysis, and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the State Hospital Revolving Fund, the State Home for Veterans Trust Fund, and the Arizona Beef Council.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | ARIZONA INDUSTRIES FOR THE BLIND | ARIZONA CORRECTIONAL INDUSTRIES | ARIZONA HIGHWAYS MAGAZINE | COLISEUM & EXPOSITION CENTER | HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM |
|---------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|---------------------------------|------------------------------------|-----------------------------------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 3,203 | \$ 67 | \$ - | \$ 21 | \$ - |
| Cash and pooled investments with State Treasurer | 145 | 1,708 | 773 | 1,351 | - |
| Restricted cash and pooled investments with State Treasurer | - | - | - | - | 66,819 |
| Short-term investments | - | - | - | - | - |
| Receivables, net of allowances: | | | | | |
| Interest | 1 | - | - | - | 32 |
| Loans and notes | - | - | - | - | 4,490 |
| Other | 1,891 | 4,819 | 306 | - | - |
| Due from U.S. Government | 542 | - | - | - | - |
| Due from other Funds | 10 | - | 19 | - | - |
| Inventories, at cost | 2,832 | 2,669 | 514 | - | - |
| Other current assets | 6 | 369 | 468 | 48 | - |
| Total Current Assets | 8,630 | 9,632 | 2,080 | 1,420 | 71,341 |
| Noncurrent Assets: | | | | | |
| Loans and notes receivable, net of allowances | - | - | - | - | 4,314 |
| Capital assets: | | | | | |
| Land and other non-depreciable | 182 | 804 | 8 | 179 | - |
| Buildings, equipment, and other depreciable, net of accumulated depreciation | 655 | 2,562 | 84 | 7,674 | - |
| Total Noncurrent Assets | 837 | 3,366 | 92 | 7,853 | 4,314 |
| Total Assets | 9,467 | 12,998 | 2,172 | 9,273 | 75,655 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and other current liabilities | 672 | 1,084 | 72 | 203 | - |
| Accrued liabilities | 375 | 545 | 86 | 8 | 2 |
| Due to local governments | - | - | - | - | 31 |
| Due to other Funds | - | - | - | - | - |
| Unearned deferred revenue | - | 624 | 2,462 | - | - |
| Current portion of long-term debt | - | 96 | - | - | - |
| Current portion of other long-term liabilities | 180 | 392 | 126 | 159 | 3 |
| Total Current Liabilities | 1,227 | 2,741 | 2,746 | 370 | 36 |
| Noncurrent Liabilities: | | | | | |
| Contracts payable | - | - | - | - | - |
| Long-term debt | - | 133 | - | - | - |
| Other long-term liabilities | 79 | - | - | - | - |
| Total Noncurrent Liabilities | 79 | 133 | - | - | - |
| Total Liabilities | 1,306 | 2,874 | 2,746 | 370 | 36 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 837 | 3,137 | 92 | 7,853 | - |
| Restricted for: | | | | | |
| Loans and other financial assistance: | | | | | |
| Expendable | - | - | - | - | 75,619 |
| Other | - | - | - | - | - |
| Unrestricted (deficit) | 7,324 | 6,987 | (666) | 1,050 | - |
| Total Net Assets | \$ 8,161 | \$ 10,124 | \$ (574) | \$ 8,903 | \$ 75,619 |

| HEALTHCARE GROUP OF ARIZONA | | | OTHER | TOTAL |
|-----------------------------------|----------------|----|---------------|-------------------|
| | | | | |
| \$ | - | \$ | 217 | \$ 3,508 |
| | 9,154 | | 1,663 | 14,794 |
| | - | | - | 66,819 |
| | - | | 104 | 104 |
| | - | | - | 33 |
| | - | | - | 4,490 |
| | - | | 2,425 | 9,441 |
| | - | | - | 542 |
| | - | | 75 | 104 |
| | - | | - | 6,015 |
| | - | | - | 891 |
| | <u>9,154</u> | | <u>4,484</u> | <u>106,741</u> |
| | - | | - | 4,314 |
| | - | | 980 | 2,153 |
| | <u>24</u> | | <u>8,055</u> | <u>19,054</u> |
| | <u>24</u> | | <u>9,035</u> | <u>25,521</u> |
| | <u>9,178</u> | | <u>13,519</u> | <u>132,262</u> |
| | 71 | | 232 | 2,334 |
| | 501 | | 520 | 2,037 |
| | - | | - | 31 |
| | - | | 1 | 1 |
| | 5,062 | | - | 8,148 |
| | - | | - | 96 |
| | 104 | | - | 964 |
| | <u>5,738</u> | | <u>753</u> | <u>13,611</u> |
| | 12,450 | | - | 12,450 |
| | - | | - | 133 |
| | - | | - | 79 |
| | <u>12,450</u> | | <u>-</u> | <u>12,662</u> |
| | <u>18,188</u> | | <u>753</u> | <u>26,273</u> |
| | 24 | | 9,035 | 20,978 |
| | - | | - | 75,619 |
| | - | | 26 | 26 |
| | <u>(9,034)</u> | | <u>3,705</u> | <u>9,366</u> |
| \$ | <u>(9,010)</u> | \$ | <u>12,766</u> | <u>\$ 105,989</u> |

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS**
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

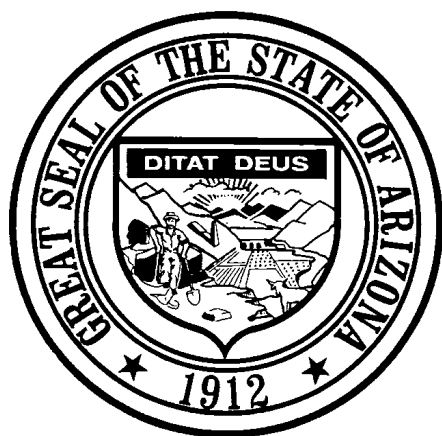
| | ARIZONA INDUSTRIES FOR THE BLIND | ARIZONA CORRECTIONAL INDUSTRIES | ARIZONA HIGHWAYS MAGAZINE | COLISEUM & EXPOSITION CENTER | HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM |
|----------------------------------------------|----------------------------------------|---------------------------------------|---------------------------------|------------------------------------|-----------------------------------------------------|
| OPERATING REVENUES | | | | | |
| Sales and charges for services | \$ 20,667 | \$ 33,100 | \$ 5,407 | \$ 9,280 | \$ - |
| Intergovernmental | 722 | - | - | - | - |
| Licenses, fees, and permits | - | - | - | - | - |
| Earnings on investments | - | - | - | - | 566 |
| Other | 17 | - | 568 | 1,271 | - |
| Total Operating Revenues | <u>21,406</u> | <u>33,100</u> | <u>5,975</u> | <u>10,551</u> | <u>566</u> |
| OPERATING EXPENSES | | | | | |
| Cost of sales and benefits | 10,875 | 25,712 | 2,732 | 1,613 | - |
| Personal services | 5,647 | 2,721 | 1,692 | 3,518 | 83 |
| Contractual services | 1,942 | 39 | 568 | 3,351 | 32 |
| Depreciation and amortization | 220 | 512 | 39 | 830 | - |
| Insurance | - | - | - | 159 | - |
| Other | 979 | 657 | 173 | 1,345 | - |
| Total Operating Expenses | <u>19,663</u> | <u>29,641</u> | <u>5,204</u> | <u>10,816</u> | <u>115</u> |
| Operating Income (Loss) | <u>1,743</u> | <u>3,459</u> | <u>771</u> | <u>(265)</u> | <u>451</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Investment income | 14 | 30 | 17 | 27 | 131 |
| Other non-operating revenue | - | - | - | 400 | - |
| Interest expense | (1) | (37) | - | - | - |
| Other non-operating expense | - | (17) | - | - | (32) |
| Total Non-Operating Revenues (Expenses) | <u>13</u> | <u>(24)</u> | <u>17</u> | <u>427</u> | <u>99</u> |
| Income Before Contributions and Transfers | <u>1,756</u> | <u>3,435</u> | <u>788</u> | <u>162</u> | <u>550</u> |
| Transfers in | 81 | - | - | - | - |
| Transfers out | - | (5,540) | (1,084) | (5,819) | - |
| Change in Net Assets | 1,837 | (2,105) | (296) | (5,657) | 550 |
| Total Net Assets - Beginning | <u>6,324</u> | <u>12,229</u> | <u>(278)</u> | <u>14,560</u> | <u>75,069</u> |
| Total Net Assets - Ending | <u>\$ 8,161</u> | <u>\$ 10,124</u> | <u>\$ (574)</u> | <u>\$ 8,903</u> | <u>\$ 75,619</u> |

| HEALTHCARE | | |
|------------|-----------|------------|
| GROUP OF | | |
| ARIZONA | OTHER | TOTAL |
| \$ 47,522 | \$ 15,506 | \$ 131,482 |
| - | 20 | 742 |
| - | 761 | 761 |
| - | - | 566 |
| - | 37 | 1,893 |
| 47,522 | 16,324 | 135,444 |
| 42,580 | 528 | 84,040 |
| 2,138 | 10,014 | 25,813 |
| 371 | 1,129 | 7,432 |
| 21 | 484 | 2,106 |
| - | 289 | 448 |
| 444 | 2,470 | 6,068 |
| 45,554 | 14,914 | 125,907 |
| 1,968 | 1,410 | 9,537 |
| 83 | 5 | 307 |
| 128 | - | 528 |
| - | - | (38) |
| (35) | - | (84) |
| 176 | 5 | 713 |
| 2,144 | 1,415 | 10,250 |
| - | - | 81 |
| (365) | - | (12,808) |
| 1,779 | 1,415 | (2,477) |
| (10,789) | 11,351 | 108,466 |
| \$ (9,010) | \$ 12,766 | \$ 105,989 |

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | ARIZONA INDUSTRIES FOR THE BLIND | ARIZONA CORRECTIONAL INDUSTRIES | ARIZONA HIGHWAYS MAGAZINE | COLISEUM & EXPOSITION CENTER | HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM |
|-------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|---------------------------------|------------------------------------|-----------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$ 20,831 | \$ 33,420 | \$ 5,233 | \$ 9,283 | \$ 844 |
| Receipts from grants and contracts | 415 | - | - | - | - |
| Receipts from repayment of loans to local governments | - | - | - | - | 15,270 |
| Payments to suppliers or insurance companies | (11,426) | (28,696) | (3,803) | (6,375) | (33) |
| Payments to employees | (5,623) | (2,723) | (1,693) | (3,638) | (97) |
| Payments for loans to local governments | - | - | - | - | (23) |
| Other receipts (payments) | (2,905) | - | 572 | 1,271 | - |
| Net Cash Provided (Used) by Operating Activities | 1,292 | 2,001 | 309 | 541 | 15,961 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers from other Funds | 81 | - | - | - | - |
| Transfers to other Funds | - | (5,540) | (1,084) | (5,819) | - |
| Other (payments) | - | (15) | - | - | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | 81 | (5,555) | (1,084) | (5,819) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | (144) | (370) | - | (2) | - |
| Interest paid on capital debt, installment purchase contracts, and capital leases | - | (37) | - | - | - |
| Principal paid on capital debt, installment purchase contracts, and capital leases | - | (80) | - | - | - |
| Other receipts (payments) | - | (2) | - | 400 | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (144) | (489) | - | 398 | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest and dividends from investments | 17 | 34 | 18 | 27 | 304 |
| Change in cash collateral received from securities lending transactions | - | - | - | - | (2,691) |
| Purchase of investments | (1) | - | - | - | - |
| Other (payments) | - | - | (1) | - | (32) |
| Net Cash Provided (Used) by Investing Activities | 16 | 34 | 17 | 27 | (2,419) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,245 | (4,009) | (758) | (4,853) | 13,542 |
| Cash and Cash Equivalents - Beginning | 2,103 | 5,784 | 1,531 | 6,225 | 53,277 |
| Cash and Cash Equivalents - Ending | \$ 3,348 | \$ 1,775 | \$ 773 | \$ 1,372 | \$ 66,819 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 1,743 | \$ 3,459 | \$ 771 | \$ (265) | \$ 451 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 220 | 512 | 39 | 830 | - |
| Net changes in assets and liabilities: | | | | | |
| (Increase) decrease in receivables, net of allowances | 163 | 216 | (17) | 3 | 15,524 |
| (Increase) in due from U.S. Government | (306) | - | - | - | - |
| (Increase) in due from other Funds | (1) | - | - | - | - |
| (Increase) decrease in inventories, at cost | (543) | 692 | (54) | - | - |
| (Increase) in other assets | (1) | (282) | (220) | (35) | - |
| Increase (decrease) in accounts payable | 99 | (2,698) | (57) | 128 | - |
| Increase (decrease) in accrued liabilities | (75) | (62) | 4 | (111) | (5) |
| Increase (decrease) deferred revenue | - | 104 | (152) | - | - |
| Increase (decrease) in other liabilities | (7) | 60 | (5) | (9) | (9) |
| Net Cash Provided (Used) by Operating Activities | \$ 1,292 | \$ 2,001 | \$ 309 | \$ 541 | \$ 15,961 |

| HEALTHCARE GROUP OF ARIZONA | | | OTHER | TOTAL |
|-----------------------------------|----------|----|---------|------------|
| \$ | 46,548 | \$ | 15,710 | \$ 131,869 |
| | - | | 20 | 435 |
| | - | | - | 15,270 |
| | (45,729) | | (4,308) | (100,370) |
| | (2,156) | | (9,893) | (25,823) |
| | - | | - | (23) |
| | - | | 37 | (1,025) |
| | (1,337) | | 1,566 | 20,333 |
| | - | | - | 81 |
| | (365) | | - | (12,808) |
| | - | | - | (15) |
| | (365) | | - | (12,742) |
| | (2) | | (252) | (770) |
| | - | | - | (37) |
| | - | | - | (80) |
| | (901) | | - | (503) |
| | (903) | | (252) | (1,390) |
| | 83 | | 5 | 488 |
| | - | | - | (2,691) |
| | - | | (1) | (2) |
| | - | | - | (33) |
| | 83 | | 4 | (2,238) |
| | (2,522) | | 1,318 | 3,963 |
| | 11,676 | | 562 | 81,158 |
| \$ | 9,154 | \$ | 1,880 | \$ 85,121 |
| \$ | 1,968 | \$ | 1,410 | \$ 9,537 |
| | 21 | | 484 | 2,106 |
| | 257 | | (547) | 15,599 |
| | - | | - | (306) |
| | - | | (10) | (11) |
| | - | | - | 95 |
| | - | | - | (538) |
| | (1,034) | | 108 | (3,454) |
| | (1,557) | | 121 | (1,685) |
| | (974) | | - | (1,022) |
| | (18) | | - | 12 |
| \$ | (1,337) | \$ | 1,566 | \$ 20,333 |



INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Telecommunication Fund receives monies from State agencies for services related to administering the State's contracts for the installation and maintenance of telecommunications equipment through the Telecommunications Program Office.

The Technology Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree Sick Leave Fund accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | RISK MANAGEMENT | TRANSPORTATION EQUIPMENT | EMPLOYEE BENEFITS | TELE- COMMUNICATION | TECHNOLOGY |
|---------------------------------------------------------------------------------|--------------------|-----------------------------|----------------------|------------------------|------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and pooled investments with State Treasurer | \$ 52,278 | \$ 1,041 | \$ 103,407 | \$ 745 | \$ 1,344 |
| Receivables, net of allowances: | | | | | |
| Other | 60 | - | 5,873 | 341 | 1,037 |
| Due from U.S. Government | - | - | 3,700 | - | - |
| Due from other Funds | 2 | - | 1,142 | - | 1,321 |
| Inventories, at cost | - | 2,609 | - | - | - |
| Other current assets | 3,624 | - | - | - | 1,391 |
| Total Current Assets | 55,964 | 3,650 | 114,122 | 1,086 | 5,093 |
| Noncurrent Assets: | | | | | |
| Capital assets: | | | | | |
| Land and other non-depreciable | - | - | - | - | 165 |
| Buildings, equipment, and other depreciable, net of accumulated depreciation | 81 | 42,054 | 12 | 4,150 | 5,532 |
| Total Noncurrent Assets | 81 | 42,054 | 12 | 4,150 | 5,697 |
| Total Assets | 56,045 | 45,704 | 114,134 | 5,236 | 10,790 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and other current liabilities | 3,724 | 11 | 80,744 | 82 | 338 |
| Accrued liabilities | 245 | 569 | 109 | 27 | 423 |
| Due to other Funds | 195 | - | 1,149 | - | 33 |
| Current portion of accrued insurance losses | 53,764 | - | - | - | - |
| Current portion of other long-term liabilities | 258 | 580 | 142 | 35 | 471 |
| Total Current Liabilities | 58,186 | 1,160 | 82,144 | 144 | 1,265 |
| Noncurrent Liabilities: | | | | | |
| Accrued insurance losses | 319,953 | - | - | - | - |
| Other long-term liabilities | - | 56 | - | - | - |
| Total Noncurrent Liabilities | 319,953 | 56 | - | - | - |
| Total Liabilities | 378,139 | 1,216 | 82,144 | 144 | 1,265 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 81 | 42,054 | 12 | 4,150 | 5,697 |
| Unrestricted (deficit) | (322,175) | 2,434 | 31,978 | 942 | 3,828 |
| Total Net Assets | \$ (322,094) | \$ 44,488 | \$ 31,990 | \$ 5,092 | \$ 9,525 |

| RETIREE SICK LEAVE | MOTOR POOL | TOTAL |
|-----------------------|------------------|---------------------|
| \$ 5,539 | \$ 2,997 | \$ 167,351 |
| - | 533 | 7,844 |
| - | - | 3,700 |
| - | 650 | 3,115 |
| - | 18 | 2,627 |
| - | 9 | 5,024 |
| <u>5,539</u> | <u>4,207</u> | <u>189,661</u> |
| - | - | 165 |
| - | 9,757 | 61,586 |
| - | 9,757 | 61,751 |
| <u>5,539</u> | <u>13,964</u> | <u>251,412</u> |
| - | 546 | 85,445 |
| - | 35 | 1,408 |
| - | - | 1,377 |
| - | - | 53,764 |
| 8,542 | 34 | 10,062 |
| <u>8,542</u> | <u>615</u> | <u>152,056</u> |
| - | - | 319,953 |
| 102,319 | - | 102,375 |
| <u>102,319</u> | <u>-</u> | <u>422,328</u> |
| <u>110,861</u> | <u>615</u> | <u>574,384</u> |
| - | 9,757 | 61,751 |
| (105,322) | 3,592 | (384,723) |
| <u>\$ (105,322)</u> | <u>\$ 13,349</u> | <u>\$ (322,972)</u> |

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | RISK MANAGEMENT | TRANSPORTATION EQUIPMENT | EMPLOYEE BENEFITS | TELE- COMMUNICATION | TECHNOLOGY |
|--------------------------------------------------|--------------------|-----------------------------|----------------------|------------------------|------------|
| OPERATING REVENUES | | | | | |
| Sales and charges for services | \$ 104,485 | \$ 23,873 | \$ 725,888 | \$ 8,023 | \$ 21,193 |
| Other | - | 133 | 5 | 11 | - |
| Total Operating Revenues | 104,485 | 24,006 | 725,893 | 8,034 | 21,193 |
| OPERATING EXPENSES | | | | | |
| Cost of sales and benefits | - | 9,862 | 696,443 | 4 | 340 |
| Personal services | 5,269 | 12,101 | 2,283 | 683 | 8,550 |
| Contractual services | 27,693 | 36 | 1,206 | 1,250 | 1,163 |
| Depreciation and amortization | 28 | 8,325 | 9 | 1,265 | 1,285 |
| Insurance | 53,908 | - | 190 | 18 | 207 |
| Other | 706 | 866 | 654 | 712 | 6,009 |
| Total Operating Expenses | 87,604 | 31,190 | 700,785 | 3,932 | 17,554 |
| Operating Income (Loss) | 16,881 | (7,184) | 25,108 | 4,102 | 3,639 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Gain on sale of capital assets | - | 142 | - | 1 | - |
| Investment income | - | 27 | - | - | - |
| Interest expense | - | (1) | - | - | - |
| Other non-operating revenue | 5 | 93 | - | - | - |
| Other non-operating expense | (271) | - | - | - | - |
| Total Non-Operating Revenues (Expenses) | (266) | 261 | - | 1 | - |
| Income (Loss) Before Contributions and Transfers | 16,615 | (6,923) | 25,108 | 4,103 | 3,639 |
| Capital grants and contributions | - | 3,386 | - | - | - |
| Transfers in | - | 5,538 | - | 500 | - |
| Transfers out | (25,284) | (7,555) | (410) | (8,386) | (5,199) |
| Change in Net Assets | (8,669) | (5,554) | 24,698 | (3,783) | (1,560) |
| Total Net Assets - Beginning | (313,425) | 50,042 | 7,292 | 8,875 | 11,085 |
| Total Net Assets - Ending | \$ (322,094) | \$ 44,488 | \$ 31,990 | \$ 5,092 | \$ 9,525 |

| RETIREE SICK LEAVE | MOTOR POOL | TOTAL |
|-----------------------|---------------|--------------|
| \$ 12,177 | \$ 9,062 | \$ 904,701 |
| - | - | 149 |
| 12,177 | 9,062 | 904,850 |
| 9,825 | 4,411 | 720,885 |
| 59 | 777 | 29,722 |
| 4 | 56 | 31,408 |
| - | 2,674 | 13,586 |
| 2 | 1,063 | 55,388 |
| - | 755 | 9,702 |
| 9,890 | 9,736 | 860,691 |
| 2,287 | (674) | 44,159 |
| - | 46 | 189 |
| - | - | 27 |
| - | - | (1) |
| - | - | 98 |
| - | - | (271) |
| - | 46 | 42 |
| 2,287 | (628) | 44,201 |
| - | - | 3,386 |
| - | - | 6,038 |
| - | (3,106) | (49,940) |
| 2,287 | (3,734) | 3,685 |
| (107,609) | 17,083 | (326,657) |
| \$ (105,322) | \$ 13,349 | \$ (322,972) |

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

| | RISK MANAGEMENT | TRANSPORTATION EQUIPMENT | EMPLOYEE BENEFITS | TELE- COMMUNICATION |
|----------------------------------------------|--------------------|-----------------------------|----------------------|------------------------|
| Receipts from interfund services / premiums | \$ 104,486 | \$ 23,877 | \$ 730,039 | \$ 9,297 |
| Payments to suppliers or insurance companies | (67,576) | (10,636) | (692,940) | (341) |
| Payments to employees | (5,276) | (12,240) | (2,286) | (713) |
| Payments to retirees | - | - | - | - |
| Other receipts | - | 204 | 5 | 11 |
| Net Cash Provided by Operating Activities | 31,634 | 1,205 | 34,818 | 8,254 |

**CASH FLOWS FROM NON-CAPITAL
FINANCING ACTIVITIES**

| | | | | |
|--------------------------------------------------------|----------|---------|-------|---------|
| Transfers from other Funds | - | 5,538 | - | 500 |
| Transfers to other Funds | (25,284) | (7,555) | (410) | (8,386) |
| Other (payments) | (266) | - | - | - |
| Net Cash (Used) by Non-capital Financing Activities | (25,550) | (2,017) | (410) | (7,886) |

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

| | | | | |
|-------------------------------------------------------------------------|------|------|---|---------|
| Proceeds from sale of capital assets | - | 669 | - | - |
| Acquisition and construction of capital assets | (25) | (49) | - | (1,974) |
| Other receipts | - | 92 | - | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (25) | 712 | - | (1,974) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | | | |
|-------------------------------------------|---|----|---|---|
| Interest and dividends from investments | - | 26 | - | - |
| Net Cash Provided by Investing Activities | - | 26 | - | - |

| | | | | |
|------------------------------------------------------|-----------|----------|------------|---------|
| Net Increase (Decrease) in Cash and Cash Equivalents | 6,059 | (74) | 34,408 | (1,606) |
| Cash and Cash Equivalents - Beginning | 46,219 | 1,115 | 68,999 | 2,351 |
| Cash and Cash Equivalents - Ending | \$ 52,278 | \$ 1,041 | \$ 103,407 | \$ 745 |

**Reconciliation of operating income (loss) to net
cash provided by operating activities:**

| | | | | |
|--------------------------------------------------------------------------------------------|-----------|------------|-----------|----------|
| Operating income (loss) | \$ 16,881 | \$ (7,184) | \$ 25,108 | \$ 4,102 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 28 | 8,325 | 9 | 1,265 |
| Net changes in assets and liabilities: | | | | |
| (Increase) decrease in receivables, net of allowances | - | 71 | 5,153 | 1,274 |
| (Increase) in due from U.S. Government | - | - | (1,500) | - |
| Decrease in due from other Funds | 1 | - | 499 | - |
| Decrease in inventories, at cost | - | 104 | - | - |
| (Increase) decrease in other assets | 686 | - | - | 1,625 |
| Increase (decrease) in accounts payable | 72 | (6) | 5,441 | 18 |
| Increase (decrease) in accrued liabilities | 7 | (25) | (6) | (16) |
| Increase (decrease) in due to other Funds | 69 | 4 | 111 | - |
| Increase in accrued insurance losses | 13,904 | - | - | - |
| Increase (decrease) in other liabilities | (14) | (84) | 3 | (14) |
| Net Cash Provided by Operating Activities | \$ 31,634 | \$ 1,205 | \$ 34,818 | \$ 8,254 |

**SCHEDULE OF NONCASH INVESTING, CAPITAL
AND NON-CAPITAL FINANCING ACTIVITIES**

| | | | | |
|--------------------------------------------------------------------------|------|----------|------|------|
| Capital lease obligations assumed by other Funds | \$ - | \$ 3,082 | \$ - | \$ - |
| Contribution of capital assets from other Funds | - | 305 | - | - |
| Total Noncash Investing, Capital and Non-capital Financing Activities | \$ - | \$ 3,387 | \$ - | \$ - |

| TECHNOLOGY | RETIREE SICK LEAVE | MOTOR POOL | TOTAL |
|------------|-----------------------|---------------|------------|
| \$ 21,950 | \$ 12,177 | \$ 9,198 | \$ 911,024 |
| (8,056) | (6) | (6,168) | (785,723) |
| (8,595) | (59) | (779) | (29,948) |
| - | (10,942) | - | (10,942) |
| - | - | - | 220 |
| 5,299 | 1,170 | 2,251 | 84,631 |

| | | | |
|---------|---|---------|----------|
| - | - | - | 6,038 |
| (5,199) | - | (3,106) | (49,940) |
| - | - | - | (266) |
| (5,199) | - | (3,106) | (44,168) |

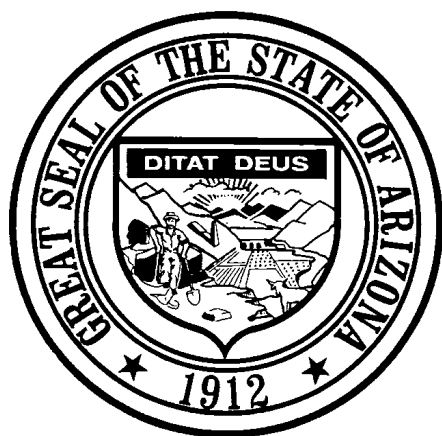
| | | | |
|---------|---|-----|---------|
| - | - | 427 | 1,096 |
| (1,427) | - | - | (3,475) |
| - | - | - | 92 |
| (1,427) | - | 427 | (2,287) |

| | | | |
|---|---|---|----|
| - | - | - | 26 |
| - | - | - | 26 |

| | | | |
|----------|----------|----------|------------|
| (1,327) | 1,170 | (428) | 38,202 |
| 2,671 | 4,369 | 3,425 | 129,149 |
| \$ 1,344 | \$ 5,539 | \$ 2,997 | \$ 167,351 |

| | | | |
|----------|----------|----------|-----------|
| \$ 3,639 | \$ 2,287 | \$ (674) | \$ 44,159 |
| 1,285 | - | 2,674 | 13,586 |
| 653 | - | (101) | 7,050 |
| - | - | - | (1,500) |
| 104 | - | 237 | 841 |
| - | - | 18 | 122 |
| 9 | - | (1) | 2,319 |
| (377) | - | 101 | 5,249 |
| 12 | - | (4) | (32) |
| 31 | - | (1) | 214 |
| - | - | - | 13,904 |
| (57) | (1,117) | 2 | (1,281) |
| \$ 5,299 | \$ 1,170 | \$ 2,251 | \$ 84,631 |

| | | | |
|------|------|------|----------|
| \$ - | \$ - | \$ - | \$ 3,082 |
| - | - | - | 305 |
| \$ - | \$ - | \$ - | \$ 3,387 |



PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

Other Employee Benefit Trust Funds account for health insurance premium subsidies and long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.

The Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The Long-Term Disability Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2010
(Expressed in Thousands)

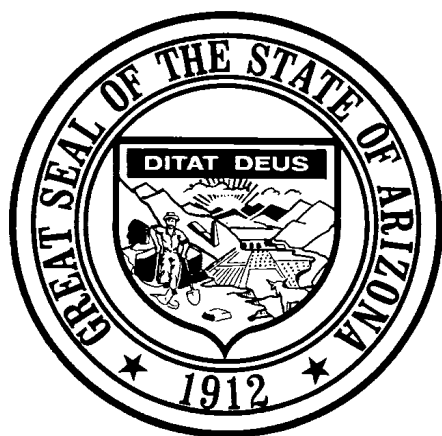
| | PENSION TRUST FUNDS | | | |
|---------------------------------------------------------|---------------------|--------------|------------|--------------|
| | ASRS | PSPRS | EORP | CORP |
| ASSETS | | | | |
| Cash | \$ 4,081 | \$ 54,072 | \$ 3,235 | \$ 12,495 |
| Receivables, net of allowances: | | | | |
| Accrued interest and dividends | 62,293 | 5,233 | 319 | 1,274 |
| Securities sold | 178,504 | 57,666 | 3,519 | 14,041 |
| Forward contracts receivable | 680,998 | - | - | - |
| Contributions | 38,759 | 15,708 | 416 | 3,616 |
| Court fees | - | - | 872 | - |
| Due from other Funds | 58 | - | - | - |
| Miscellaneous receivables | 10,328 | 2,513 | 19 | 11 |
| Total receivables | 970,940 | 81,120 | 5,145 | 18,942 |
| Investments, at fair value: | | | | |
| Temporary investments | 1,262,496 | - | - | - |
| U.S. Government securities | 3,227,247 | 51,559 | 3,146 | 12,554 |
| Corporate bonds | 2,051,554 | 812,577 | 49,583 | 197,857 |
| Corporate stocks | 14,371,523 | 1,866,753 | 113,908 | 454,542 |
| Real estate | 690,195 | 450,149 | 27,501 | 109,252 |
| Private equity | 460,125 | 358,786 | 21,893 | 87,362 |
| Opportunistic investments | 297,398 | 438,228 | 26,740 | 106,706 |
| Collateral investment pool | 2,259,400 | 494,161 | 30,153 | 120,325 |
| Other investments | 204 | 509,980 | 31,119 | 124,177 |
| Total investments | 24,620,142 | 4,982,193 | 304,043 | 1,212,775 |
| Property and equipment, net of accumulated depreciation | - | 3,836 | 256 | 675 |
| Total Assets | 25,595,163 | 5,121,221 | 312,679 | 1,244,887 |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | 36,527 | 296 | 486 | 1,814 |
| Payable for securities purchased | 479,100 | 40,901 | 2,496 | 9,959 |
| Obligation under securities loan agreements | 2,259,400 | 494,161 | 30,153 | 120,325 |
| Forward contracts payable | 665,691 | - | - | - |
| Due to other Funds | 7,485 | - | - | - |
| Total Liabilities | 3,448,203 | 535,358 | 33,135 | 132,098 |
| NET ASSETS | | | | |
| Held in Trust for: | | | | |
| Pension benefits | 22,146,960 | 4,585,863 | 279,544 | 1,112,789 |
| Other post-employment benefits | - | - | - | - |
| Total Net Assets | \$ 22,146,960 | \$ 4,585,863 | \$ 279,544 | \$ 1,112,789 |

| OTHER EMPLOYEE BENEFIT TRUST FUNDS | | |
|-----------------------------------------|---------------------------------|---------------|
| HEALTH BENEFIT SUPPLEMENT FUND | LONG-TERM DISABILITY FUND | TOTAL |
| \$ 183 | \$ - | \$ 74,066 |
| 2,788 | - | 71,907 |
| 7,990 | - | 261,720 |
| 30,482 | - | 711,480 |
| 1,498 | 1,814 | 61,811 |
| - | - | 872 |
| 5,533 | 1,952 | 7,543 |
| 58 | 3,042 | 15,971 |
| 48,349 | 6,808 | 1,131,304 |
| 51,632 | 6,515 | 1,320,643 |
| 151,014 | - | 3,445,520 |
| 95,272 | - | 3,206,843 |
| 638,143 | 237,308 | 17,682,177 |
| 30,115 | - | 1,307,212 |
| 20,623 | - | 948,789 |
| 13,234 | - | 882,306 |
| 101,132 | - | 3,005,171 |
| 9 | - | 665,489 |
| 1,101,174 | 243,823 | 32,464,150 |
| - | - | 4,767 |
| 1,149,706 | 250,631 | 33,674,287 |
| 1,711 | 220 | 41,054 |
| 21,445 | - | 553,901 |
| 101,132 | - | 3,005,171 |
| 29,797 | - | 695,488 |
| 26 | 32 | 7,543 |
| 154,111 | 252 | 4,303,157 |
| - | - | 28,125,156 |
| 995,595 | 250,379 | 1,245,974 |
| \$ 995,595 | \$ 250,379 | \$ 29,371,130 |

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | PENSION TRUST FUNDS | | | |
|----------------------------------------------------|---------------------|--------------|------------|--------------|
| | ASRS | PSPRS | EORP | CORP |
| ADDITIONS: | | | | |
| Member contributions | \$ 808,908 | \$ 102,142 | \$ 4,611 | \$ 54,481 |
| Employer contributions | 763,099 | 288,210 | 8,804 | 52,065 |
| Member purchase of service credit | 71,020 | 10,608 | 890 | 733 |
| Court fees | - | - | 9,538 | - |
| Investment income: | | | | |
| Net increase in fair value of investments | 2,350,927 | 483,513 | 30,341 | 112,840 |
| Interest income | 216,116 | 25,283 | 1,571 | 5,894 |
| Dividends | 255,848 | 54,737 | 3,383 | 13,082 |
| Other investment income | 148,112 | 2,962 | 182 | 914 |
| Securities lending income | 13,383 | 3,657 | 226 | 876 |
| Total investment income | 2,984,386 | 570,152 | 35,703 | 133,606 |
| Less investment expenses: | | | | |
| Investment activity expenses | 110,668 | 16,529 | 1,086 | 4,205 |
| Security lending expenses | 1,421 | 547 | 33 | 133 |
| Net investment income | 2,872,297 | 553,076 | 34,584 | 129,268 |
| Other additions | 2,953 | 759 | 40 | 542 |
| Total Additions | 4,518,277 | 954,795 | 58,467 | 237,089 |
| DEDUCTIONS: | | | | |
| Retirement, disability, and survivor benefits | 2,057,591 | 469,482 | 36,885 | 64,040 |
| Refunds to withdrawing members, including interest | 154,144 | 9,975 | 126 | 19,775 |
| Administrative expense | 28,237 | 4,932 | 245 | 915 |
| Other deductions | 11,798 | 244 | - | 586 |
| Total Deductions | 2,251,770 | 484,633 | 37,256 | 85,316 |
| Change in net assets held in trust for: | | | | |
| Pension benefits | 2,266,507 | 470,162 | 21,211 | 151,773 |
| Other post-employment benefits | - | - | - | - |
| Net Assets - Beginning | 19,880,453 | 4,115,701 | 258,333 | 961,016 |
| Net Assets - Ending | \$ 22,146,960 | \$ 4,585,863 | \$ 279,544 | \$ 1,112,789 |

| OTHER EMPLOYEE BENEFIT TRUST FUNDS | | |
|---------------------------------------|---------------------------------|---------------|
| HEALTH | | |
| BENEFIT SUPPLEMENT FUND | LONG-TERM DISABILITY FUND | TOTAL |
| \$ - | \$ 35,939 | \$ 1,006,081 |
| 59,393 | 35,939 | 1,207,510 |
| - | - | 83,251 |
| - | - | 9,538 |
| 104,862 | 28,240 | 3,110,723 |
| 9,696 | 5 | 258,565 |
| 11,482 | - | 338,532 |
| 6,600 | - | 158,770 |
| 599 | - | 18,741 |
| 133,239 | 28,245 | 3,885,331 |
| 4,918 | 584 | 137,990 |
| 63 | - | 2,197 |
| 128,258 | 27,661 | 3,745,144 |
| - | - | 4,294 |
| 187,651 | 99,539 | 6,055,818 |
| 87,983 | 69,148 | 2,785,129 |
| - | - | 184,020 |
| 1,266 | 2,820 | 38,415 |
| - | - | 12,628 |
| 89,249 | 71,968 | 3,020,192 |
| - | - | 2,909,653 |
| 98,402 | 27,571 | 125,973 |
| 897,193 | 222,808 | 26,335,504 |
| \$ 995,595 | \$ 250,379 | \$ 29,371,130 |



INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State Treasurer in a trustee capacity for local governments and political subdivisions of the State of Arizona which have elected to invest cash with the State Treasurer's Office.

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate debt, money market mutual funds, repurchase agreements, and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate notes, repurchase agreements, and United States Government securities.

Local Government Investment Pool - Medium-Term is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, repurchase agreements, and United States Government securities.

Local Government Investment Pool - FF&C is an Investment Trust Account composed of corporate notes, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

Local Government Investment Pool - Medium-Term FF&C is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

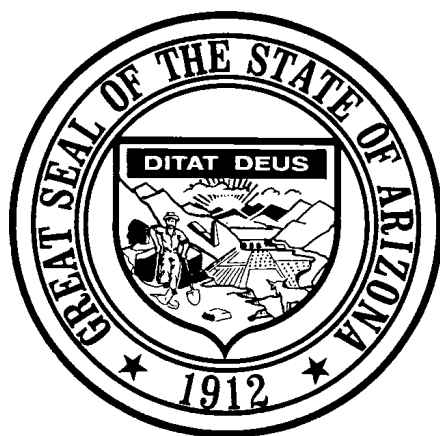
Lehman Brothers Pool is an Investment Trust Account composed of the Local Government Investment Pool's share of the Lehman Brothers bond value that was transferred to this pool due to Lehman Brothers filing for Chapter 11 bankruptcy. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities held by the Local Government Investment Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2010
(Expressed in Thousands)

| | CENTRAL ARIZONA WATER CONSERVATION DISTRICT | LOCAL GOVERNMENT INVESTMENT POOL | LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM | LOCAL GOVERNMENT INVESTMENT POOL- FF&C | LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM FF&C | LEHMAN BROTHERS POOL | TOTAL |
|------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------|----------------------------|--------------|
| ASSETS | | | | | | | |
| Receivables, net of allowances: | | | | | | | |
| Accrued interest and dividends | \$ 923 | \$ 4,564 | \$ 578 | \$ 4,498 | \$ 291 | \$ - | \$ 10,854 |
| Total receivables | 923 | 4,564 | 578 | 4,498 | 291 | - | 10,854 |
| Investments, at fair value: | | | | | | | |
| U.S. Government securities | 63,165 | 307,118 | 69,226 | 1,071,542 | 58,708 | - | 1,569,759 |
| Corporate bonds | 13,057 | - | - | - | - | - | 13,057 |
| Corporate notes | 56,803 | 550,275 | 37,087 | 52,650 | 14,059 | 6,348 | 717,222 |
| Collateral investment pool | 5,338 | 62,376 | 4,281 | 45,447 | - | - | 117,442 |
| Repurchase agreements | 2,259 | 770,156 | 5,000 | 1,007,381 | 33,000 | - | 1,817,796 |
| Money market mutual funds | 107 | - | 393 | - | 525 | - | 1,025 |
| Other | - | - | - | - | 8,725 | - | 8,725 |
| Total investments | 140,729 | 1,689,925 | 115,987 | 2,177,020 | 115,017 | 6,348 | 4,245,026 |
| Total Assets | 141,652 | 1,694,489 | 116,565 | 2,181,518 | 115,308 | 6,348 | 4,255,880 |
| LIABILITIES | | | | | | | |
| Management fee payable | 7 | 83 | 6 | 112 | 6 | - | 214 |
| Obligations under securities loan agreements | 5,338 | 62,376 | 4,281 | 45,447 | - | - | 117,442 |
| Due to local governments | - | - | 198 | - | 108 | - | 306 |
| Total Liabilities | 5,345 | 62,459 | 4,485 | 45,559 | 114 | - | 117,962 |
| NET ASSETS | | | | | | | |
| Held in trust for pool participants | \$ 136,307 | \$ 1,632,030 | \$ 112,080 | \$ 2,135,959 | \$ 115,194 | \$ 6,348 | \$ 4,137,918 |
| Net assets consist of: | | | | | | | |
| Participant shares outstanding | 132,774 | 1,632,030 | 108,328 | 2,135,959 | 114,426 | 32,534 | 4,156,051 |
| Participants' net asset value (net assets/shares outstanding) | \$ 1.03 | \$ 1.00 | \$ 1.03 | \$ 1.00 | \$ 1.01 | \$ 0.20 | |

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | CENTRAL ARIZONA WATER CONSERVATION DISTRICT | LOCAL GOVERNMENT INVESTMENT POOL | LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM | LOCAL GOVERNMENT INVESTMENT POOL- FF&C | LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM FF&C | LEHMAN BROTHERS POOL | TOTAL |
|----------------------------------------------------------|---------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------|----------------------------|--------------|
| ADDITIONS: | | | | | | | |
| Investment income (loss): | | | | | | | |
| Net increase (decrease) in fair value of investments | \$ 3,678 | \$ 1,896 | \$ 1,086 | \$ (121) | \$ 756 | \$ 1,546 | \$ 8,841 |
| Interest income | 3,838 | 3,956 | 2,121 | 3,761 | 580 | - | 14,256 |
| Securities lending income | 7 | 78 | 13 | 95 | - | - | 193 |
| Total investment income | 7,523 | 5,930 | 3,220 | 3,735 | 1,336 | 1,546 | 23,290 |
| Less: Investment activity expenses | | | | | | | |
| Investment activity expenses | 76 | 880 | 48 | 1,461 | 43 | - | 2,508 |
| Securities lending expenses | 4 | 35 | 7 | 68 | - | - | 114 |
| Net investment income | 7,443 | 5,015 | 3,165 | 2,206 | 1,293 | 1,546 | 20,668 |
| Capital share and individual account transactions: | | | | | | | |
| Shares sold | 29,230 | 2,438,406 | 49,801 | 2,768,470 | 114,763 | - | 5,400,670 |
| Reinvested interest income | 4,741 | 7,808 | 2,057 | 4,642 | 431 | - | 19,679 |
| Shares redeemed | (8,362) | (2,303,982) | (9,671) | (3,220,072) | - | - | (5,542,087) |
| Net capital share and individual account transactions | 25,609 | 142,232 | 42,187 | (446,960) | 115,194 | - | (121,738) |
| Total Additions | 33,052 | 147,247 | 45,352 | (444,754) | 116,487 | 1,546 | (101,070) |
| DEDUCTIONS: | | | | | | | |
| Dividends to investors | 7,443 | 5,015 | 3,165 | 2,206 | 1,293 | - | 19,122 |
| Total Deductions | 7,443 | 5,015 | 3,165 | 2,206 | 1,293 | - | 19,122 |
| Change in net assets held in trust for pool participants | 25,609 | 142,232 | 42,187 | (446,960) | 115,194 | 1,546 | (120,192) |
| Net Assets - Beginning | 110,698 | 1,489,798 | 69,893 | 2,582,919 | - | 4,802 | 4,258,110 |
| Net Assets - Ending | \$ 136,307 | \$ 1,632,030 | \$ 112,080 | \$ 2,135,959 | \$ 115,194 | \$ 6,348 | \$ 4,137,918 |



AGENCY FUNDS

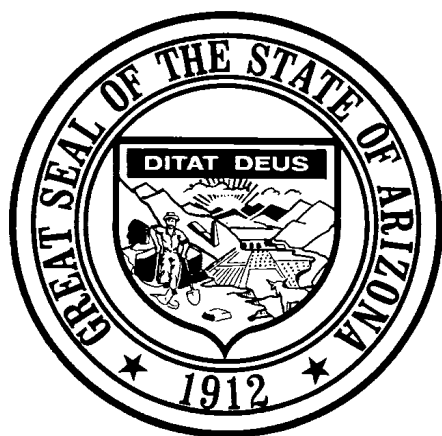
Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits that are required to be made by other governmental units or organizations with the State Treasurer.

The Health Insurance Subsidy Fund accounts for other post-employment benefit payments of the health insurance subsidy by the PSPRS, the EORP, and the CORP for eligible retired and disabled members.

The Other Funds consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.



STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2010
 (Expressed in Thousands)

| | TREASURER CUSTODIAL SECURITIES FUND | OTHER TREASURER FUNDS | OTHER FUNDS | TOTAL |
|-----------------------------------------------------|-------------------------------------------|-----------------------------|-------------------|---------------------|
| ASSETS | | | | |
| Cash | \$ - | \$ - | \$ 36,578 | \$ 36,578 |
| Cash and pooled investments with State Treasurer | - | 18,130 | 174,601 | 192,731 |
| Short-term investments | - | - | 3,552 | 3,552 |
| Receivables, net of allowances: | | | | |
| Accrued interest | - | - | 1 | 1 |
| Due from others | - | - | 82,351 | 82,351 |
| Custodial securities in safekeeping | 3,563,316 | - | 65,576 | 3,628,892 |
| Other assets | - | - | 5,125 | 5,125 |
| | <u>\$ 3,563,316</u> | <u>\$ 18,130</u> | <u>\$ 367,784</u> | <u>\$ 3,949,230</u> |
| Total Assets | <u>\$ 3,563,316</u> | <u>\$ 18,130</u> | <u>\$ 367,784</u> | <u>\$ 3,949,230</u> |
| LIABILITIES | | | | |
| Due to local governments | \$ - | \$ 5,367 | \$ 124,099 | \$ 129,466 |
| Due to others | 3,563,316 | 12,763 | 243,685 | 3,819,764 |
| | <u>\$ 3,563,316</u> | <u>\$ 18,130</u> | <u>\$ 367,784</u> | <u>\$ 3,949,230</u> |
| Total Liabilities | <u>\$ 3,563,316</u> | <u>\$ 18,130</u> | <u>\$ 367,784</u> | <u>\$ 3,949,230</u> |

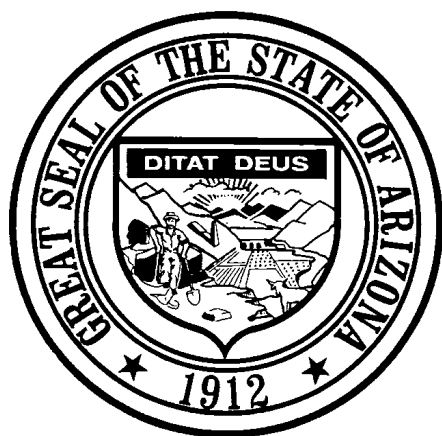
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Thousands)

| | BALANCE JULY 1, 2009 | ADDITIONS | DELETIONS | BALANCE JUNE 30, 2010 |
|--------------------------------------------------|-------------------------|-------------------|-------------------|--------------------------|
| TREASURER CUSTODIAL SECURITIES FUND | | | | |
| Assets: | | | | |
| Custodial securities in safekeeping | \$ 3,408,326 | \$ 320,754 | \$ 165,764 | \$ 3,563,316 |
| Total Assets | <u>\$ 3,408,326</u> | <u>\$ 320,754</u> | <u>\$ 165,764</u> | <u>\$ 3,563,316</u> |
| Liabilities: | | | | |
| Due to others | \$ 3,408,326 | \$ 320,754 | \$ 165,764 | \$ 3,563,316 |
| Total Liabilities | <u>\$ 3,408,326</u> | <u>\$ 320,754</u> | <u>\$ 165,764</u> | <u>\$ 3,563,316</u> |
| OTHER TREASURER FUNDS | | | | |
| Assets: | | | | |
| Cash and pooled investments with State Treasurer | \$ 21,441 | \$ 159,337 | \$ 162,648 | \$ 18,130 |
| Receivables, net of allowances: | | | | |
| Accrued interest | <u>57</u> | <u>-</u> | <u>57</u> | <u>-</u> |
| Total Assets | <u>\$ 21,498</u> | <u>\$ 159,337</u> | <u>\$ 162,705</u> | <u>\$ 18,130</u> |
| Liabilities: | | | | |
| Due to local governments | \$ 9,275 | \$ 129,648 | \$ 133,556 | \$ 5,367 |
| Due to others | <u>12,223</u> | <u>31,382</u> | <u>30,842</u> | <u>12,763</u> |
| Total Liabilities | <u>\$ 21,498</u> | <u>\$ 161,030</u> | <u>\$ 164,398</u> | <u>\$ 18,130</u> |
| HEALTH INSURANCE SUBSIDY FUND | | | | |
| Assets: | | | | |
| Cash | \$ - | \$ 15,753 | \$ 15,753 | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ 15,753</u> | <u>\$ 15,753</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Benefits payable | \$ - | \$ 15,753 | \$ 15,753 | \$ - |
| Total Liabilities | <u>\$ -</u> | <u>\$ 15,753</u> | <u>\$ 15,753</u> | <u>\$ -</u> |

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Expressed in Thousands)

| | BALANCE JULY 1, 2009 | ADDITIONS | DELETIONS | BALANCE JUNE 30, 2010 |
|--------------------------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| OTHER FUNDS | | | | |
| Assets: | | | | |
| Cash | \$ 28,017 | \$ 736,967 | \$ 728,406 | \$ 36,578 |
| Cash and pooled investments with State Treasurer | 199,268 | 5,096,601 | 5,121,268 | 174,601 |
| Short-term investments | 4,487 | 3,552 | 4,487 | 3,552 |
| Receivables, net of allowances: | | | | |
| Accrued interest | 62 | - | 61 | 1 |
| Due from others | 80,168 | 82,351 | 80,168 | 82,351 |
| Custodial securities in safekeeping | 59,959 | 65,576 | 59,959 | 65,576 |
| Other assets | 8,816 | 5,125 | 8,816 | 5,125 |
| Total Assets | <u>\$ 380,777</u> | <u>\$ 5,990,172</u> | <u>\$ 6,003,165</u> | <u>\$ 367,784</u> |
| Liabilities: | | | | |
| Due to local governments | \$ 146,443 | \$ 7,156,332 | \$ 7,178,676 | \$ 124,099 |
| Due to others | 234,334 | 1,125,822 | 1,116,471 | 243,685 |
| Total Liabilities | <u>\$ 380,777</u> | <u>\$ 8,282,154</u> | <u>\$ 8,295,147</u> | <u>\$ 367,784</u> |
| COMBINED TOTAL ALL AGENCY FUNDS | | | | |
| Assets: | | | | |
| Cash | \$ 28,017 | \$ 752,720 | \$ 744,159 | \$ 36,578 |
| Cash and pooled investments with State Treasurer | 220,709 | 5,255,938 | 5,283,916 | 192,731 |
| Short-term investments | 4,487 | 3,552 | 4,487 | 3,552 |
| Receivables, net of allowances: | | | | |
| Accrued interest | 119 | - | 118 | 1 |
| Due from others | 80,168 | 82,351 | 80,168 | 82,351 |
| Custodial securities in safekeeping | 3,468,285 | 386,330 | 225,723 | 3,628,892 |
| Other assets | 8,816 | 5,125 | 8,816 | 5,125 |
| Total Assets | <u>\$ 3,810,601</u> | <u>\$ 6,486,016</u> | <u>\$ 6,347,387</u> | <u>\$ 3,949,230</u> |
| Liabilities: | | | | |
| Benefits payable | \$ - | \$ 15,753 | \$ 15,753 | \$ - |
| Due to local governments | 155,718 | 7,285,980 | 7,312,232 | 129,466 |
| Due to others | 3,654,883 | 1,477,958 | 1,313,077 | 3,819,764 |
| Total Liabilities | <u>\$ 3,810,601</u> | <u>\$ 8,779,691</u> | <u>\$ 8,641,062</u> | <u>\$ 3,949,230</u> |



NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS

Component units affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate Boards of Directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc. (UPSI), and University of Arizona Campus Research Corporation (CRC). The Collegiate Golf Foundation is included because it is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship to the State. The UPSI is included because it is a legally separate, tax-exempt organization that the State believes would be misleading to exclude due to its close affiliation with the State. The CRC is included because the U of A appoints a majority of the board of directors and approves the budget; the U of A can thus impose its will on the CRC.

The Northern Arizona University Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the NAU for advancement of its mission.

The Northern Arizona Capital Facilities Finance Corporation was established for the purpose of acquiring, developing, constructing, maintaining and operating student housing and other capital facilities and equipment for the use and benefit of the NAU's students.

Mesa Student Housing, LLC provides facilities for use by students of the ASU.

Sun Angel Foundation receives funds primarily through donations and dues, and contributes funds to the ASU for support of various programs.

Sun Angel Endowment receives funds primarily through donations and dues, and contributes funds to the ASU for support of various programs.

The Collegiate Golf Foundation operates an ASU-owned golf course.

Arizona State University Research Park, Inc. is developing a research park to promote and support research activities in coordination with the ASU.

The Arizona State University Alumni Association receives funds primarily through donations and dues, and contributes funds to the ASU for support of various programs.

Downtown Phoenix Student Housing, LLC provides facilities for use by students of the ASU.

University Public Schools, Inc. operates a public school designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

The University of Arizona Law College Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

The University of Arizona Campus Research Corporation was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park and related properties.

The University of Arizona Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the U of A's missions - teaching, research, and public service.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2010
(Expressed in Thousands)

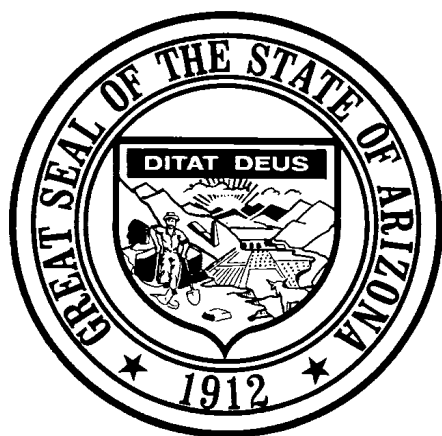
| | NORTHERN ARIZONA UNIVERSITY FOUNDATION | NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP. | MESA STUDENT HOUSING | SUN ANGEL FOUNDATION | SUN ANGEL ENDOWMENT | COLLEGIATE GOLF FOUNDATION |
|-------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------|-------------------------|-------------------------|------------------------|-------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalent investments | \$ 4,892 | \$ 12 | \$ 408 | \$ 1,931 | \$ 375 | \$ 95 |
| Receivables: | | | | | | |
| Pledges receivable | 7,961 | - | - | 8,460 | - | - |
| Other receivables | 172 | 185 | 577 | 378 | - | 84 |
| Total receivables | 8,133 | 185 | 577 | 8,838 | - | 84 |
| Investments: | | | | | | |
| Investments in securities | 64,897 | - | 4,094 | - | 7,236 | - |
| Investments held in trust for Universities | 4,809 | - | - | - | - | - |
| Other investments | - | - | - | - | 2,723 | - |
| Total investments | 69,706 | - | 4,094 | - | 9,959 | - |
| Net direct financing leases | - | 47,775 | - | - | - | - |
| Property and equipment, net of accumulated depreciation | 37 | - | 12,706 | 2,049 | - | 101 |
| Licenses | 4,530 | - | - | - | - | - |
| Other assets | 1,880 | 1,571 | 730 | 244 | 28 | 154 |
| Total Assets | 89,178 | 49,543 | 18,515 | 13,062 | 10,362 | 434 |
| LIABILITIES | | | | | | |
| Liability under Universities' endowment trust agreements | 5,423 | - | - | - | - | - |
| Bonds payable | - | 47,741 | 18,553 | - | - | - |
| Unearned revenue | 7,488 | 22 | 2 | 80 | - | 96 |
| Other liabilities | 1,176 | 181 | 640 | 345 | 5,021 | 351 |
| Total Liabilities | 14,087 | 47,944 | 19,195 | 425 | 5,021 | 447 |
| NET ASSETS | | | | | | |
| Permanently restricted | 36,336 | - | - | - | 1,842 | - |
| Temporarily restricted | 15,403 | - | - | 12,289 | 173 | - |
| Unrestricted (deficit) | 23,352 | 1,599 | (680) | 348 | 3,326 | (13) |
| Total Net Assets | \$ 75,091 | \$ 1,599 | \$ (680) | \$ 12,637 | \$ 5,341 | \$ (13) |

| ARIZONA STATE UNIVERSITY RESEARCH PARK, INC. | ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION | DOWNTOWN PHOENIX STUDENT HOUSING | UNIVERSITY PUBLIC SCHOOLS | UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION | UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION | UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION | TOTAL |
|-------------------------------------------------------|------------------------------------------------------|-------------------------------------------|---------------------------------|--------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------|------------|
| \$ 2,236 | \$ 419 | \$ 510 | \$ 182 | \$ 3,226 | \$ 4,037 | \$ 1,899 | \$ 20,222 |
| - | 75 | - | - | 27,847 | - | 100 | 44,443 |
| 9,860 | 1,329 | 503 | 281 | - | 1,429 | 2,461 | 17,259 |
| 9,860 | 1,404 | 503 | 281 | 27,847 | 1,429 | 2,561 | 61,702 |
| 4,022 | 12,475 | 12,263 | - | 5,336 | - | 4,116 | 114,439 |
| - | - | - | - | - | - | - | 4,809 |
| - | - | - | - | 164 | - | - | 2,887 |
| 4,022 | 12,475 | 12,263 | - | 5,500 | - | 4,116 | 122,135 |
| - | - | - | - | - | - | - | 47,775 |
| 6,252 | - | 117,163 | 421 | 120 | 13,353 | 30 | 152,232 |
| - | - | - | - | - | - | - | 4,530 |
| 2,228 | 142 | 6,531 | 18 | 7 | 4,234 | 31 | 17,798 |
| 24,598 | 14,440 | 136,970 | 902 | 36,700 | 23,053 | 8,637 | 426,394 |
| - | - | - | - | - | - | - | 5,423 |
| 10,205 | - | 141,304 | - | - | 9,349 | 25 | 227,177 |
| 13,260 | 910 | 14 | 11 | - | 927 | 4,118 | 26,928 |
| 2,036 | 1,270 | 7,965 | 755 | 27 | 2,384 | 89 | 22,240 |
| 25,501 | 2,180 | 149,283 | 766 | 27 | 12,660 | 4,232 | 281,768 |
| - | - | - | - | 4,118 | - | - | 42,296 |
| - | 243 | - | 9 | 31,986 | - | - | 60,103 |
| (903) | 12,017 | (12,313) | 127 | 569 | 10,393 | 4,405 | 42,227 |
| \$ (903) | \$ 12,260 | \$ (12,313) | \$ 136 | \$ 36,673 | \$ 10,393 | \$ 4,405 | \$ 144,626 |

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | NORTHERN ARIZONA UNIVERSITY FOUNDATION | NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP. | MESA STUDENT HOUSING | SUN ANGEL FOUNDATION | SUN ANGEL ENDOWMENT | COLLEGIATE GOLF FOUNDATION |
|---------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------|-------------------------|-------------------------|------------------------|-------------------------------|
| REVENUES | | | | | | |
| Contributions | \$ 6,738 | \$ - | \$ - | \$ 5,877 | \$ - | \$ - |
| Rental revenue | - | 34 | 5,049 | - | - | - |
| Sales and services | - | - | 9 | 422 | - | 3,684 |
| Net investment income | 6,215 | 2,203 | 91 | 19 | 38 | - |
| Licensing revenue | 2,434 | - | - | - | - | - |
| Other revenues | 1,009 | - | 674 | 993 | 5 | - |
| Total Revenues | 16,396 | 2,237 | 5,823 | 7,311 | 43 | 3,684 |
| EXPENSES | | | | | | |
| Program services: | | | | | | |
| Payments to Universities | - | - | - | 5,166 | - | 120 |
| Leasing related expenses | - | - | - | - | - | - |
| Payments on behalf of Universities | - | - | - | - | - | - |
| Other program services | 5,012 | - | - | - | - | - |
| Personal services, operations, and administrative expenses | 455 | 34 | 3,966 | 820 | 105 | 3,589 |
| Fundraising expenses | 2,492 | - | - | - | - | - |
| Interest | - | 2,207 | 1,152 | - | 238 | 11 |
| Depreciation and amortization | 1,029 | 60 | 729 | - | - | 60 |
| Other expenses | - | - | - | 981 | - | - |
| Total Expenses | 8,988 | 2,301 | 5,847 | 6,967 | 343 | 3,780 |
| Increase (Decrease) in Net Assets | 7,408 | (64) | (24) | 344 | (300) | (96) |
| Net Assets - Beginning | 67,683 | 1,663 | (656) | 12,293 | 5,641 | 83 |
| Net Assets - Ending | \$ 75,091 | \$ 1,599 | \$ (680) | \$ 12,637 | \$ 5,341 | \$ (13) |

| ARIZONA STATE UNIVERSITY RESEARCH PARK, INC. | ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION | DOWNTOWN PHOENIX STUDENT HOUSING | UNIVERSITY PUBLIC SCHOOLS | UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION | UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION | UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION | TOTAL |
|-------------------------------------------------------|------------------------------------------------------|-------------------------------------------|---------------------------------|--------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------|------------|
| \$ - | \$ 2,267 | \$ - | \$ 237 | \$ (614) | \$ - | \$ 419 | \$ 14,924 |
| 5,652 | - | 7,970 | - | - | 12,393 | - | 31,098 |
| - | 2,822 | - | 272 | - | - | 955 | 8,164 |
| 23 | 1,121 | 150 | - | 583 | 7 | 63 | 10,513 |
| - | - | - | - | - | - | - | 2,434 |
| 2,541 | 165 | 8 | 6,566 | 47 | 394 | 2,553 | 14,955 |
| 8,216 | 6,375 | 8,128 | 7,075 | 16 | 12,794 | 3,990 | 82,088 |
| 2,464 | - | 282 | - | - | - | - | 8,032 |
| - | - | - | - | - | 8,651 | - | 8,651 |
| - | - | - | - | 1,135 | 1,323 | 2,788 | 5,246 |
| - | - | - | - | - | - | - | 5,012 |
| 1,186 | 5,453 | 2,466 | 7,066 | 40 | 1,455 | 632 | 27,267 |
| - | - | - | - | 37 | - | 128 | 2,657 |
| 443 | - | 7,269 | - | - | - | - | 11,320 |
| 552 | - | 4,807 | - | - | - | - | 7,237 |
| 150 | 62 | 378 | - | 13 | - | - | 1,584 |
| 4,795 | 5,515 | 15,202 | 7,066 | 1,225 | 11,429 | 3,548 | 77,006 |
| 3,421 | 860 | (7,074) | 9 | (1,209) | 1,365 | 442 | 5,082 |
| (4,324) | 11,400 | (5,239) | 127 | 37,882 | 9,028 | 3,963 | 139,544 |
| \$ (903) | \$ 12,260 | \$ (12,313) | \$ 136 | \$ 36,673 | \$ 10,393 | \$ 4,405 | \$ 144,626 |



STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

STATISTICAL SECTION

This part of the State of Arizona's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends - Schedules 1 thru 4 contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity - Schedules 5 thru 9 contain information to help the reader assess the State's most significant own-source revenues, the sales tax, and personal income tax.

Debt Capacity - Schedules 10 thru 21 present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information - Schedules 22 and 23 offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and among other governments.

Operating Information - Schedules 24 thru 26 contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

STATE OF ARIZONA
SCHEDULE 1
NET ASSETS BY COMPONENT (1)
FOR THE LAST NINE FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | Fiscal Year | | | | |
|-----------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2008 | 2007, as restated | 2006, as restated |
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Invested in capital assets, net of related debt (3) | \$ 15,738,121 | \$ 15,094,719 | \$ 14,530,867 | \$ 13,500,218 | \$ 12,878,151 |
| Restricted for: | | | | | |
| Federal grants | 47,463 | 34,345 | 53,212 | 40,737 | 63,219 |
| Capital projects (4) | 565,534 | 532,766 | 970,202 | 1,003,824 | 561,795 |
| Debt service | 25,262 | 26,442 | 36,496 | 38,804 | 44,846 |
| Permanent funds: | | | | | |
| Expendable | 181,728 | 93,302 | 69,305 | 21,290 | 19,244 |
| Nonexpendable | 3,330,361 | 2,866,103 | 3,523,725 | 3,467,467 | 2,785,419 |
| Other purposes | 497,932 | 437,636 | 334,425 | 161,917 | 86,345 |
| Unrestricted | (4,155,346) | (2,984,628) | (1,105,246) | 614,606 | 733,455 |
| Total Governmental Activities Net Assets | <u>\$ 16,231,055</u> | <u>\$ 16,100,685</u> | <u>\$ 18,412,986</u> | <u>\$ 18,848,863</u> | <u>\$ 17,172,474</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| Invested in capital assets, net of related debt | \$ 1,352,658 | \$ 1,328,658 | \$ 1,387,655 | \$ 1,186,177 | \$ 1,146,618 |
| Restricted for: | | | | | |
| Capital projects | 2,819 | 3,578 | 6,207 | 8,505 | 6,106 |
| Unemployment compensation | 68,155 | 619,003 | 1,072,996 | 1,075,038 | 949,919 |
| Debt service | 34,393 | 27,293 | 10,045 | 11,119 | 9,198 |
| University funds: | | | | | |
| Expendable (5) | 202,691 | 203,806 | 264,466 | 210,635 | 189,746 |
| Nonexpendable (5) | 166,399 | 156,630 | 153,383 | 199,471 | 178,001 |
| Loans and other financial assistance (5) | 75,619 | 75,069 | 74,115 | 71,211 | 67,423 |
| Other purposes (5) | 26 | 20 | - | 12 | 62 |
| Unrestricted | 576,426 | 376,908 | 188,354 | 295,377 | 179,524 |
| Total Business-type Activities Net Assets | <u>\$ 2,479,186</u> | <u>\$ 2,790,965</u> | <u>\$ 3,157,221</u> | <u>\$ 3,057,545</u> | <u>\$ 2,726,597</u> |
| PRIMARY GOVERNMENT: | | | | | |
| Invested in capital assets, net of related debt | \$ 17,090,779 | \$ 16,423,377 | \$ 15,918,522 | \$ 14,686,395 | \$ 14,024,769 |
| Restricted for: | | | | | |
| Federal grants | 47,463 | 34,345 | 53,212 | 40,737 | 63,219 |
| Capital projects | 568,353 | 536,344 | 976,409 | 1,012,329 | 567,901 |
| Unemployment compensation | 68,155 | 619,003 | 1,072,996 | 1,075,038 | 949,919 |
| Debt service | 59,655 | 53,735 | 46,541 | 49,923 | 54,044 |
| Permanent funds / University funds: | | | | | |
| Expendable (5) | 384,419 | 297,108 | 333,771 | 231,925 | 208,990 |
| Nonexpendable (5) | 3,496,760 | 3,022,733 | 3,677,108 | 3,666,938 | 2,963,420 |
| Loans and other financial assistance (5) | 75,619 | 75,069 | 74,115 | 71,211 | 67,423 |
| Other purposes (5) | 497,958 | 437,656 | 334,425 | 161,929 | 86,407 |
| Unrestricted | (3,578,920) | (2,607,720) | (916,892) | 909,983 | 912,979 |
| Total Primary Government Net Assets | <u>\$ 18,710,241</u> | <u>\$ 18,891,650</u> | <u>\$ 21,570,207</u> | <u>\$ 21,906,408</u> | <u>\$ 19,899,071</u> |

- (1) This schedule reports using the accrual basis of accounting.
- (2) The State implemented GASB Statement 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.
- (3) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of \$302,375 of capital assets that were previously recorded as transportation expenses.
- (4) For fiscal year 2007, the \$442,029 increase was primarily due to the transfer of \$245,000 of General Fund monies in order to accelerate the construction of certain critical projects on the State highway system, and \$185,000 in unspent bond proceeds related to highway construction.
- (5) For fiscal year 2002, net assets restricted for expendable University funds of \$130,735 and for nonexpendable University funds of \$137,854 were classified as net assets restricted for loans and other financial assistance of \$175,661 and for other purposes of \$92,928.

| Fiscal Year | | | |
|----------------------|----------------------|----------------------|--------------------------|
| 2005, as restated | 2004, as restated | 2003, as restated | 2002, as restated (2) |
| \$ 11,825,961 | \$ 11,226,325 | \$ 10,690,782 | \$ 10,043,985 |
| 102,794 | 73,466 | 108,268 | 158,424 |
| 548,488 | 414,113 | 495,663 | 589,996 |
| 28,708 | 31,302 | 30,470 | 51,861 |
| 5,106 | - | 20,082 | 56,697 |
| 2,164,200 | 1,550,247 | 1,395,750 | 1,243,389 |
| 88,992 | 31,447 | 21,080 | 24,132 |
| (463,515) | (684,492) | (799,587) | 358,806 |
| <u>\$ 14,300,734</u> | <u>\$ 12,642,408</u> | <u>\$ 11,962,508</u> | <u>\$ 12,527,290</u> |
| \$ 1,172,613 | \$ 1,169,198 | \$ 1,153,428 | \$ 1,165,306 |
| 2,657 | 3,023 | 21,842 | 33,515 |
| 820,383 | 796,119 | 893,470 | 1,055,543 |
| 8,203 | 16,940 | 24,715 | 30,153 |
| 171,976 | 157,595 | 143,683 | - |
| 163,922 | 153,073 | 141,281 | - |
| 64,875 | 63,500 | 63,249 | 258,954 |
| - | - | 2,763 | 95,146 |
| 84,248 | 115,986 | 251,415 | 277,195 |
| <u>\$ 2,488,877</u> | <u>\$ 2,475,434</u> | <u>\$ 2,695,846</u> | <u>\$ 2,915,812</u> |
| \$ 12,998,574 | \$ 12,395,523 | \$ 11,844,210 | \$ 11,209,291 |
| 102,794 | 73,466 | 108,268 | 158,424 |
| 551,145 | 417,136 | 517,505 | 623,511 |
| 820,383 | 796,119 | 893,470 | 1,055,543 |
| 36,911 | 48,242 | 55,185 | 82,014 |
| 177,082 | 157,595 | 163,765 | 56,697 |
| 2,328,122 | 1,703,320 | 1,537,031 | 1,243,389 |
| 64,875 | 63,500 | 63,249 | 258,954 |
| 88,992 | 31,447 | 23,843 | 119,278 |
| (379,267) | (568,506) | (548,172) | 636,001 |
| <u>\$ 16,789,611</u> | <u>\$ 15,117,842</u> | <u>\$ 14,658,354</u> | <u>\$ 15,443,102</u> |

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST NINE FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | Fiscal Year | | | | |
|----------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2010 | 2009 | 2008 | 2007, as restated | 2006, as restated |
| EXPENSES | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 941,813 | \$ 928,485 | \$ 982,382 | \$ 802,659 | \$ 781,542 |
| Health and welfare | 13,090,357 | 12,055,439 | 10,884,297 | 9,789,699 | 9,057,733 |
| Inspection and regulation | 157,786 | 176,354 | 185,996 | 175,609 | 159,766 |
| Education | 5,706,667 | 6,084,342 | 6,242,173 | 5,984,196 | 5,304,555 |
| Protection and safety | 1,451,571 | 1,514,282 | 1,510,615 | 1,401,513 | 1,279,129 |
| Transportation (3) | 511,397 | 695,070 | 670,173 | 583,304 | 386,777 |
| Natural resources | 183,535 | 228,430 | 250,258 | 193,862 | 187,947 |
| Intergovernmental revenue sharing | 2,585,683 | 2,755,710 | 3,023,836 | 2,864,543 | 2,658,636 |
| Interest on long-term debt | 261,518 | 222,851 | 179,795 | 191,674 | 172,439 |
| Total Governmental Activities Expenses | <u>24,890,327</u> | <u>24,660,963</u> | <u>23,929,525</u> | <u>21,987,059</u> | <u>19,988,524</u> |
| Business-type Activities: | | | | | |
| Universities | 3,343,377 | 3,290,033 | 3,227,481 | 2,960,790 | 2,762,557 |
| Unemployment Compensation | 2,103,028 | 1,086,330 | 356,333 | 248,111 | 226,171 |
| Industrial Commission Special Fund (4) | 67,750 | 30,055 | 14,824 | 23,669 | (18,300) |
| Lottery | 432,150 | 395,950 | 372,740 | 363,508 | 377,104 |
| Other | 126,029 | 142,229 | 162,300 | 176,486 | 136,894 |
| Total Business-type Activities Expenses | <u>6,072,334</u> | <u>4,944,597</u> | <u>4,133,678</u> | <u>3,772,564</u> | <u>3,484,426</u> |
| Total Primary Government Expenses | <u>\$ 30,962,661</u> | <u>\$ 29,605,560</u> | <u>\$ 28,063,203</u> | <u>\$ 25,759,623</u> | <u>\$ 23,472,950</u> |
| PROGRAM REVENUES | | | | | |
| Governmental Activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 208,316 | \$ 199,011 | \$ 190,374 | \$ 200,495 | \$ 161,664 |
| Inspection and regulation | 143,329 | 153,642 | 159,857 | 158,022 | 146,191 |
| Transportation (5) | 123,372 | 138,520 | 149,560 | 158,019 | 134,068 |
| Other activities | 402,496 | 315,660 | 318,776 | 281,796 | 279,836 |
| Operating grants and contributions (6) | 13,735,263 | 10,620,642 | 9,190,910 | 8,536,030 | 7,941,223 |
| Capital grants and contributions | 576,027 | 553,198 | 523,898 | 354,255 | 388,646 |
| Total Governmental Activities Program Revenues | <u>15,188,803</u> | <u>11,980,673</u> | <u>10,533,375</u> | <u>9,688,617</u> | <u>9,051,628</u> |
| Business-type Activities: | | | | | |
| Charges for services: | | | | | |
| Universities | 1,432,055 | 1,272,694 | 1,167,696 | 1,069,339 | 962,967 |
| Lottery | 551,492 | 484,486 | 472,937 | 462,200 | 468,697 |
| Other activities (7) | 509,254 | 439,010 | 485,242 | 518,922 | 474,801 |
| Operating grants and contributions (8) | 2,260,071 | 1,243,697 | 898,441 | 883,373 | 852,788 |
| Capital grants and contributions | 12,563 | 14,710 | 38,029 | 27,981 | 30,056 |
| Total Business-type Activities Program Revenues | <u>4,765,435</u> | <u>3,454,597</u> | <u>3,062,345</u> | <u>2,961,815</u> | <u>2,789,309</u> |
| Total Primary Government Program Revenues | <u>\$ 19,954,238</u> | <u>\$ 15,435,270</u> | <u>\$ 13,595,720</u> | <u>\$ 12,650,432</u> | <u>\$ 11,840,937</u> |
| NET (EXPENSE) REVENUE | | | | | |
| Governmental activities | \$ (9,701,524) | \$ (12,680,290) | \$ (13,396,150) | \$ (12,298,442) | \$ (10,936,896) |
| Business-type activities | <u>(1,306,899)</u> | <u>(1,490,000)</u> | <u>(1,071,333)</u> | <u>(810,749)</u> | <u>(695,117)</u> |
| Total Primary Government Net (Expense) | <u>\$ (11,008,423)</u> | <u>\$ (14,170,290)</u> | <u>\$ (14,467,483)</u> | <u>\$ (13,109,191)</u> | <u>\$ (11,632,013)</u> |

| Fiscal Year | | | |
|------------------------|------------------------|------------------------|--------------------------|
| 2005 | 2004, as restated | 2003, as restated | 2002, as restated (2) |
| \$ 646,452 | \$ 726,525 | \$ 694,173 | \$ 852,417 |
| 8,494,206 | 7,717,148 | 6,848,087 | 5,960,399 |
| 149,238 | 138,281 | 141,673 | 135,784 |
| 4,853,458 | 4,703,685 | 4,795,566 | 4,277,635 |
| 1,171,340 | 1,059,047 | 982,839 | 931,292 |
| 589,966 | 731,522 | 598,375 | 411,108 |
| 184,538 | 162,366 | 175,312 | 152,772 |
| 2,335,828 | 2,144,438 | 2,159,691 | 2,190,160 |
| 182,852 | 176,035 | 135,775 | 131,206 |
| <u>18,607,878</u> | <u>17,559,047</u> | <u>16,531,491</u> | <u>15,042,773</u> |
| 2,540,193 | 2,355,418 | 2,181,311 | 2,039,832 |
| 292,127 | 397,657 | 455,685 | 406,406 |
| 106,295 | 167,331 | 73,586 | 57,503 |
| 317,226 | 303,996 | 263,321 | 239,648 |
| 120,629 | 109,944 | 107,740 | 95,164 |
| <u>3,376,470</u> | <u>3,334,346</u> | <u>3,081,643</u> | <u>2,838,553</u> |
| <u>\$ 21,984,348</u> | <u>\$ 20,893,393</u> | <u>\$ 19,613,134</u> | <u>\$ 17,881,326</u> |
| | | | |
| \$ 139,486 | \$ 140,791 | \$ 106,876 | \$ 120,514 |
| 133,073 | 133,510 | 120,045 | 117,606 |
| 88,296 | 114,097 | 112,466 | 112,725 |
| 256,804 | 248,446 | 192,332 | 230,409 |
| 7,544,370 | 6,981,748 | 5,940,007 | 4,996,539 |
| 497,140 | 421,251 | 460,364 | 471,020 |
| <u>8,659,169</u> | <u>8,039,843</u> | <u>6,932,090</u> | <u>6,048,813</u> |
| 863,042 | 778,047 | 675,089 | 639,050 |
| 397,561 | 366,582 | 322,267 | 294,848 |
| 440,646 | 305,221 | 259,676 | 254,984 |
| 834,421 | 836,076 | 810,549 | 737,170 |
| 19,774 | 18,513 | 23,090 | 48,180 |
| <u>2,555,444</u> | <u>2,304,439</u> | <u>2,090,671</u> | <u>1,974,232</u> |
| <u>\$ 11,214,613</u> | <u>\$ 10,344,282</u> | <u>\$ 9,022,761</u> | <u>\$ 8,023,045</u> |
| | | | |
| \$ (9,948,709) | \$ (9,519,204) | \$ (9,599,401) | \$ (8,993,960) |
| (821,026) | (1,029,907) | (990,972) | (864,321) |
| <u>\$ (10,769,735)</u> | <u>\$ (10,549,111)</u> | <u>\$ (10,590,373)</u> | <u>\$ (9,858,281)</u> |

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST NINE FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | Fiscal Year | | | | |
|-------------------------------------------|---------------|----------------|---------------|-------------------|-------------------|
| | 2010 | 2009 | 2008 | 2007, as restated | 2006, as restated |
| GENERAL REVENUES AND OTHER | | | | | |
| CHANGES IN NET ASSETS | | | | | |
| Governmental Activities: | | | | | |
| Taxes: | | | | | |
| Sales | \$ 5,029,050 | \$ 5,442,563 | \$ 6,270,419 | \$ 6,537,584 | \$ 6,322,311 |
| Income | 2,809,995 | 3,126,076 | 4,205,426 | 4,636,447 | 4,548,843 |
| Tobacco (9) | 332,893 | 370,073 | 413,333 | 358,205 | 248,122 |
| Property | 31,417 | 32,564 | 36,732 | 43,736 | 43,035 |
| Motor vehicle and fuel (5) | 1,583,790 | 1,643,276 | 1,800,920 | 1,826,893 | 1,857,293 |
| Other (9) | 535,435 | 574,030 | 559,440 | 529,629 | 575,946 |
| Unrestricted investment earnings (10) | 37,665 | 92,957 | 243,160 | 243,328 | 172,311 |
| Unrestricted grants and contributions | 13,213 | 12,440 | 13,574 | 11,711 | 12,293 |
| Miscellaneous general revenues (6) | 204,295 | 222,712 | 214,751 | 212,253 | 235,610 |
| Gain (loss) on sale of trust land | 64,005 | (165,696) | 196,953 | 451,501 | 567,364 |
| Transfers | (809,864) | (983,006) | (994,435) | (876,456) | (774,492) |
| Total Governmental Activities | 9,831,894 | 10,367,989 | 12,960,273 | 13,974,831 | 13,808,636 |
| Business-type Activities: | | | | | |
| Sales taxes | 52,318 | 58,528 | 72,945 | 79,223 | 54,550 |
| Unrestricted investment earnings | 70,766 | 22,450 | 39,763 | 103,362 | 49,050 |
| Unrestricted grants and contributions (8) | - | - | - | - | - |
| Miscellaneous general revenues (7) | 52,072 | 45,786 | 64,564 | 77,841 | 58,816 |
| Contributions to permanent endowments | 3,020 | 4,014 | 3,927 | 4,815 | 3,803 |
| Special items | - | 7,240 | (20,100) | - | (7,874) |
| Extraordinary items | 7,080 | 2,720 | 15,475 | - | - |
| Transfers | 809,864 | 983,006 | 994,435 | 876,456 | 774,492 |
| Total Business-type Activities | 995,120 | 1,123,744 | 1,171,009 | 1,141,697 | 932,837 |
| Total Primary Government | \$ 10,827,014 | \$ 11,491,733 | \$ 14,131,282 | \$ 15,116,528 | \$ 14,741,473 |
| CHANGE IN NET ASSETS | | | | | |
| Governmental activities (8) | \$ 130,370 | \$ (2,312,301) | \$ (435,877) | \$ 1,676,389 | \$ 2,871,740 |
| Business-type activities | (311,779) | (366,256) | 99,676 | 330,948 | 237,720 |
| Total Primary Government | \$ (181,409) | \$ (2,678,557) | \$ (336,201) | \$ 2,007,337 | \$ 3,109,460 |

- (1) This schedule reports using the accrual basis of accounting.
- (2) The State implemented GASB Statement 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.
- (3) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of \$302,375 of capital assets that were previously recorded as transportation expenses.
- (4) The Industrial Commission Special Fund's cost of sales and benefits expense decreased \$125,828 during fiscal year 2006, primarily due to a decrease in insolvent carrier liabilities. During fiscal years 2005 and 2004, insolvent carrier liability increased, primarily as the result of \$67,423 and \$107,600, respectively, in Arizona workers' compensation claims from the defunct California domiciled Fremont Companies.
- (5) \$31,804 of transportation's charges for services for fiscal year 2005 were classified as motor vehicle and fuel tax revenues.
- (6) Beginning in fiscal year 2004, operating grants and contributions included Indian gaming revenue and tobacco settlement revenue. For fiscal year 2004, gaming revenue was \$57,517 and this was the first year that gaming revenue was earned, as a result of Proposition 202. For fiscal year 2004, tobacco settlement revenue was \$91,601. Prior to fiscal year 2004, tobacco settlement revenue was included in miscellaneous general revenues.
- (7) Beginning in fiscal year 2005, settlement income for the Industrial Commission Special Fund is classified as a program revenue, charges for services. Prior to this, it was classified as a miscellaneous general revenue. In fiscal year 2005, settlement income was \$41,554.
- (8) In fiscal year 2002, private gifts not restricted for capital purposes of \$83,100 for the Universities were classified as general revenues. In future fiscal years, these gifts are classified as program revenues.
- (9) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
- (10) Fiscal year 2007 unrestricted investment earnings were reduced by \$17,771 due to reclassifying the Greater Arizona Development Authority from the primary government to a component unit.

| Fiscal Year | | | |
|---------------|----------------------|----------------------|--------------------------|
| 2005 | 2004, as restated | 2003, as restated | 2002, as restated (2) |
| \$ 5,421,949 | \$ 5,016,585 | \$ 4,551,804 | \$ 4,450,691 |
| 3,562,916 | 2,800,461 | 2,371,005 | 2,442,320 |
| 237,430 | 223,804 | - | - |
| 46,148 | 50,455 | 37,470 | 49,611 |
| 1,758,950 | 1,613,952 | 1,563,876 | 1,493,259 |
| 493,501 | 539,218 | 632,896 | 544,514 |
| 106,362 | 24,227 | 77,914 | 116,614 |
| 11,624 | 8,502 | 7,222 | 8,518 |
| 387,269 | 281,109 | 319,873 | 186,917 |
| 288,483 | 319,517 | 137,563 | 137,565 |
| (707,597) | (678,726) | (665,004) | (709,916) |
| 11,607,035 | 10,199,104 | 9,034,619 | 8,720,093 |
| 57,584 | 50,050 | 43,450 | 41,367 |
| 40,311 | 38,753 | 32,527 | 29,327 |
| 5 | - | 3 | 83,108 |
| 26,017 | 46,615 | 26,985 | 12,447 |
| 2,955 | 2,231 | 3,037 | 2,723 |
| - | (6,880) | - | - |
| - | - | - | - |
| 707,597 | 678,726 | 665,004 | 709,916 |
| 834,469 | 809,495 | 771,006 | 878,888 |
| \$ 12,441,504 | \$ 11,008,599 | \$ 9,805,625 | \$ 9,598,981 |
| \$ 1,658,326 | \$ 679,900 | \$ (564,782) | \$ (273,867) |
| 13,443 | (220,412) | (219,966) | 14,567 |
| \$ 1,671,769 | \$ 459,488 | \$ (784,748) | \$ (259,300) |

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST NINE FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | Fiscal Year | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| | 2010 | 2009 | 2008 | 2007, as restated | 2006 |
| GENERAL FUND: | | | | | |
| Reserved for: | | | | | |
| Budget stabilization fund | \$ - | \$ 2,767 | \$ 147,212 | \$ 673,531 | \$ 651,020 |
| School facilities improvements | 14,764 | 376,993 | 1,914 | 4,931 | 110,149 |
| Continuing appropriations | 55,354 | 43,091 | 103,320 | 162,657 | 69,861 |
| Other fund balance reservations | 232 | 252 | 262 | 272 | 302 |
| Unreserved | (825,081) | (1,401,381) | 108,914 | 1,081,708 | 1,434,806 |
| Total General Fund | <u>\$ (754,731)</u> | <u>\$ (978,278)</u> | <u>\$ 361,622</u> | <u>\$ 1,923,099</u> | <u>\$ 2,266,138</u> |
| ALL OTHER GOVERNMENTAL FUNDS: | | | | | |
| Reserved for: | | | | | |
| Highway construction | \$ 809,497 | \$ 1,304,781 | \$ 1,253,202 | \$ 976,488 | \$ 426,015 |
| Other construction | 45,403 | 108,129 | 238,985 | 5,288 | 6,256 |
| School facilities improvements | - | - | - | - | - |
| Permanent funds | 2,674,953 | 2,196,040 | 2,544,365 | 2,454,564 | 2,043,591 |
| Continuing appropriations | 116,350 | 212,553 | 143,785 | 94,602 | 118,671 |
| Debt service | 26,389 | 27,115 | 35,236 | 34,421 | 37,792 |
| Other fund balance reservations | 40,327 | 7,447 | 27,132 | 17,702 | 5,145 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 830,532 | 767,258 | 919,679 | 793,890 | 657,371 |
| Capital projects funds | - | - | - | - | - |
| Total All Other Governmental Funds | <u>\$ 4,543,451</u> | <u>\$ 4,623,323</u> | <u>\$ 5,162,384</u> | <u>\$ 4,376,955</u> | <u>\$ 3,294,841</u> |

(1) This schedule reports using the modified accrual basis of accounting.

(2) Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the fund balance information is available only beginning in fiscal year 2002.

| Fiscal Year | | | |
|---------------------|-------------------|-------------------|--------------------------|
| 2005 | 2004 | 2003 | 2002, as restated (2) |
| \$ 160,873 | \$ 13,545 | \$ 13,737 | \$ 67,700 |
| 107,260 | 96,714 | 101,944 | - |
| 55,727 | 74,973 | 87,131 | 105,816 |
| 374 | 377 | 598 | 611 |
| 986,168 | 561,029 | 343,012 | 574,146 |
| <u>\$ 1,310,402</u> | <u>\$ 746,638</u> | <u>\$ 546,422</u> | <u>\$ 748,273</u> |

| | | | |
|---------------------|---------------------|---------------------|---------------------|
| \$ 419,072 | \$ 321,401 | \$ 342,324 | \$ 277,321 |
| 7,307 | 41,165 | 33,477 | 53,088 |
| 5,386 | 17,808 | 33,893 | 262,654 |
| 1,716,404 | 1,361,366 | 1,123,523 | 1,082,018 |
| 120,752 | 114,948 | 90,238 | 103,312 |
| 21,992 | 27,693 | 23,273 | 61,123 |
| 25,375 | 25,138 | 38,945 | 38,382 |
| 574,938 | 463,738 | 444,301 | 634,710 |
| - | - | - | 29,661 |
| <u>\$ 2,891,226</u> | <u>\$ 2,373,257</u> | <u>\$ 2,129,974</u> | <u>\$ 2,542,269</u> |

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST NINE FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | Fiscal Year | | | | |
|--------------------------------------|-------------------|--------------------|--------------------|----------------------|-------------------|
| | 2010 | 2009 | 2008 | 2007, as restated | 2006 |
| REVENUES | | | | | |
| Taxes: | | | | | |
| Sales | \$ 5,017,977 | \$ 5,429,453 | \$ 6,278,181 | \$ 6,527,968 | \$ 6,313,090 |
| Income | 2,805,426 | 3,137,794 | 4,174,966 | 4,629,220 | 4,535,492 |
| Tobacco (3) | 332,893 | 370,073 | 413,333 | 358,205 | 248,122 |
| Property | 31,417 | 32,564 | 36,732 | 43,736 | 43,035 |
| Motor vehicle and fuel | 1,585,919 | 1,672,151 | 1,802,572 | 1,828,701 | 1,857,293 |
| Other (3) | 535,435 | 574,030 | 559,440 | 529,629 | 575,946 |
| Intergovernmental | 13,562,547 | 11,316,023 | 9,499,419 | 8,313,720 | 8,019,509 |
| Licenses, fees, and permits | 425,526 | 410,002 | 447,090 | 442,236 | 410,069 |
| Earnings (loss) on investments (4,8) | 422,564 | (318,321) | 135,879 | 510,253 | 247,250 |
| Sales and charges for services | 212,306 | 154,671 | 167,329 | 158,318 | 162,048 |
| Fines, forfeitures, and penalties | 224,000 | 203,337 | 167,309 | 183,923 | 138,354 |
| Gaming (5) | 77,554 | 84,140 | 94,004 | 94,771 | 84,794 |
| Tobacco settlement (6) | 105,394 | 125,571 | 115,587 | 90,258 | 86,231 |
| Proceeds from sale of trust land (9) | 78,564 | 143,674 | - | - | - |
| Other (6) | 230,223 | 253,868 | 263,443 | 264,440 | 269,411 |
| Total Revenues | <u>25,647,745</u> | <u>23,589,030</u> | <u>24,155,284</u> | <u>23,975,378</u> | <u>22,990,644</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 931,250 | 913,266 | 966,512 | 879,519 | 861,373 |
| Health and welfare | 13,054,472 | 11,959,640 | 10,874,581 | 9,679,226 | 8,995,430 |
| Inspection and regulation | 157,461 | 174,633 | 184,451 | 173,897 | 157,401 |
| Education | 5,702,963 | 6,031,605 | 6,240,862 | 5,983,513 | 5,302,942 |
| Protection and safety | 1,417,428 | 1,460,692 | 1,447,372 | 1,358,439 | 1,247,508 |
| Transportation (7) | 584,363 | 608,631 | 630,283 | 524,318 | 373,603 |
| Natural resources | 175,568 | 220,030 | 242,893 | 185,592 | 178,832 |
| Intergovernmental revenue sharing | 2,574,539 | 2,764,776 | 3,026,563 | 2,863,218 | 2,661,894 |
| Debt service: | | | | | |
| Principal | 288,172 | 235,971 | 261,228 | 220,473 | 261,277 |
| Interest and other fiscal charges | 286,027 | 238,430 | 210,856 | 195,317 | 176,933 |
| Capital outlay (7) | 1,291,341 | 1,295,530 | 1,106,951 | 992,000 | 1,066,815 |
| Total Expenditures | <u>26,463,584</u> | <u>25,903,204</u> | <u>25,192,552</u> | <u>23,055,512</u> | <u>21,284,008</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | <u>(815,839)</u> | <u>(2,314,174)</u> | <u>(1,037,268)</u> | <u>919,866</u> | <u>1,706,636</u> |

| Fiscal Year | | | |
|--------------|--------------|--------------|--------------------------|
| 2005 | 2004 | 2003 | 2002, as restated (2) |
| \$ 5,410,383 | \$ 4,985,424 | \$ 4,555,389 | \$ 4,424,528 |
| 3,528,565 | 2,818,778 | 2,387,369 | 2,410,342 |
| 237,430 | 223,804 | - | - |
| 46,148 | 50,455 | 37,470 | 49,611 |
| 1,758,950 | 1,613,952 | 1,563,876 | 1,493,259 |
| 493,501 | 539,218 | 632,896 | 543,055 |
| 7,714,012 | 7,159,976 | 6,141,218 | 5,182,770 |
| 335,760 | 349,938 | 320,564 | 330,041 |
| 190,499 | 131,715 | 111,771 | 136,761 |
| 154,251 | 161,170 | 111,438 | 157,912 |
| 121,123 | 120,032 | 96,192 | 98,791 |
| 67,658 | 57,517 | - | - |
| 93,933 | 92,550 | - | - |
| - | - | - | - |
| 430,097 | 313,220 | 337,930 | 324,433 |
| 20,582,310 | 18,617,749 | 16,296,113 | 15,151,503 |
| 758,149 | 718,229 | 689,603 | 511,167 |
| 8,419,913 | 7,733,516 | 6,652,661 | 5,788,774 |
| 146,523 | 136,189 | 139,863 | 133,584 |
| 4,852,099 | 4,702,609 | 4,882,516 | 4,188,501 |
| 1,132,473 | 1,028,134 | 925,667 | 892,986 |
| 564,574 | 717,463 | 463,756 | 401,372 |
| 175,593 | 153,533 | 163,946 | 140,600 |
| 2,335,828 | 2,144,438 | 2,159,691 | 2,190,211 |
| 381,512 | 327,595 | 297,508 | 270,912 |
| 200,731 | 188,247 | 140,613 | 125,594 |
| 710,688 | 695,289 | 1,041,038 | 1,127,411 |
| 19,678,083 | 18,545,242 | 17,556,862 | 15,771,112 |
| 904,227 | 72,507 | (1,260,749) | (619,609) |

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST NINE FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| | Fiscal Year | | | | |
|----------------------------------------------------------------|-------------------|-----------------------|---------------------|-------------------|---------------------|
| | 2010 | 2009 | 2008 | 2007, as restated | 2006 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 1,106,250 | 1,248,267 | 897,771 | 910,605 | 812,083 |
| Transfers out | (1,872,212) | (2,168,964) | (1,874,084) | (1,784,833) | (1,585,754) |
| Proceeds from sale of trust land (9) | - | - | 249,970 | 199,089 | 284,293 |
| Proceeds from sale of capital assets | 3,088 | 2,127 | 28,233 | 10,162 | 11,118 |
| Capital lease and installment purchase contracts | 187,836 | 4,056 | 23,556 | 132,985 | 3,543 |
| Proceeds from notes and loans | 32,628 | 23,139 | 19,529 | - | - |
| Refunding bonds issued | - | - | 82,880 | - | 596,160 |
| Payment to refunded bond escrow agent | - | - | (86,547) | - | (646,689) |
| Bonds issued | 425,420 | 621,050 | 563,950 | 325,000 | 118,250 |
| Refunding grant anticipation notes issued | - | - | - | - | - |
| Grant anticipation notes issued | - | 55,420 | 68,000 | - | - |
| Refunding certificates of participation issued | - | - | - | - | - |
| Payment to refunded certificates of participation escrow agent | - | - | - | - | - |
| Certificates of participation issued | 998,795 | 580,035 | 238,990 | - | - |
| Premium on debt issued | 77,709 | 70,083 | 48,972 | 26,201 | 59,711 |
| Total Other Financing Sources (Uses) | 959,514 | 435,213 | 261,220 | (180,791) | (347,285) |
| NET CHANGE IN FUND BALANCES | \$ 143,675 | \$ (1,878,961) | \$ (776,048) | \$ 739,075 | \$ 1,359,351 |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | 2.3% | 1.9% | 2.0% | 1.9% | 2.2% |

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the changes in fund balance information is available only beginning in fiscal year 2002.
- (3) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
Increase from fiscal year 2006 to fiscal year 2007 primarily due to Proposition 203, implemented December, 2006.
- (4) Increase from fiscal year 2006 to fiscal year 2007 primarily due to increase in Land Endowment fair market value of investments, larger cash balances available to invest, and market interest rates.
- (5) Beginning in fiscal year 2004, Indian gaming revenue was earned as a result of Proposition 202.
- (6) Prior to fiscal year 2004, tobacco settlement revenue was included in other revenue.
- (7) For fiscal year 2006, transportation expenditures were reduced and capital outlay was increased by \$302,375 for addition of capital assets that were previously recorded as transportation expenditures.
- (8) In fiscal year 2008, the Greater Arizona Development Authority Fund was reclassified from a special revenue fund to a component unit. Fiscal year 2007 earnings on investments has been restated to reflect this change.
- (9) In fiscal year 2009, "Proceeds from sale of trust land" was moved from "Other financing sources (uses)" to "Revenues."

| Fiscal Year | | | |
|---------------------|-------------------|---------------------|--------------------------|
| 2005 | 2004 | 2003 | 2002, as restated (2) |
| 1,011,456 | 940,050 | 1,053,862 | 848,252 |
| (1,714,562) | (1,616,105) | (1,690,443) | (1,549,833) |
| 274,127 | 149,001 | 88,066 | 51,265 |
| - | - | - | - |
| 5,350 | 24,349 | 101,473 | 4,167 |
| - | - | - | - |
| 224,283 | 107,940 | 90,530 | 74,250 |
| (247,417) | (145,965) | (107,735) | (77,135) |
| 210,577 | 389,746 | 662,975 | 148,350 |
| - | 22,633 | - | - |
| 104,385 | 177,322 | - | - |
| 334,225 | 16,725 | 75,295 | 71,051 |
| (363,052) | (17,273) | (80,713) | (65,087) |
| 237,625 | 273,735 | 372,730 | 68,203 |
| 100,509 | 48,834 | 80,563 | 14,816 |
| 177,506 | 370,992 | 646,603 | (411,701) |
| <u>\$ 1,081,733</u> | <u>\$ 443,499</u> | <u>\$ (614,146)</u> | <u>\$ (1,031,310)</u> |
| 3.1% | 2.9% | 2.7% | 2.7% |

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| CLASSIFICATION (9) | Fiscal Year | | | | | |
|---------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Transporting (2) | \$ 41,990 | \$ 37,920 | \$ 48,713 | \$ 43,351 | \$ 59,801 | \$ 53,371 |
| Mining, oil and gas | 102,900 | 175,743 | 216,675 | 255,531 | 321,538 | 317,202 |
| Mining severance | 1,164,231 | 729,482 | 1,752,522 | 1,743,361 | 1,219,984 | 656,631 |
| Timber severance (3) (11) | - | - | - | - | - | - |
| Utilities | 9,354,244 | 9,236,366 | 9,237,779 | 8,609,034 | 7,679,982 | 6,828,179 |
| Communications | 3,618,208 | 2,928,433 | 3,669,683 | 3,513,667 | 3,220,062 | 2,934,858 |
| Private car and pipelines | 1,640 | 7,743 | 16,021 | 19,679 | 25,751 | 14,832 |
| Publishing | 103,681 | 102,457 | 122,652 | 129,681 | 133,680 | 134,925 |
| Job printing | 236,985 | 307,581 | 391,038 | 397,802 | 403,686 | 367,010 |
| Restaurants and bars | 9,020,795 | 9,094,485 | 9,663,959 | 9,619,785 | 8,933,459 | 7,939,964 |
| Amusements | 1,051,919 | 1,053,048 | 1,146,344 | 1,086,364 | 998,767 | 872,520 |
| Commercial lease (5) | 141 | 1 | (443) | (2) | (120) | 919 |
| Personal property rentals | 3,127,828 | 3,552,696 | 3,995,697 | 3,927,824 | 3,633,374 | 3,242,363 |
| Contracting | 9,311,612 | 14,882,706 | 20,156,299 | 22,415,051 | 20,487,917 | 16,044,847 |
| Feed wholesale (6) | - | - | - | - | - | - |
| Retail | 42,913,933 | 46,174,068 | 52,626,993 | 55,009,403 | 53,147,971 | 46,378,344 |
| Hotel/motel | 1,949,718 | 2,117,242 | 2,405,705 | 2,411,634 | 2,268,776 | 2,063,973 |
| Rental occupancy tax (11) | (62) | (25) | (2,669) | 1,065 | 3,471 | 2,414 |
| Use tax | 5,464,504 | 5,882,942 | 6,837,880 | 6,091,507 | 6,155,959 | 5,218,535 |
| Use tax-utilities (10) | (35,594) | 38,653 | 12,461 | 12,154 | 16,582 | 234 |
| Membership camping (11) | 10 | 11 | 52 | 12 | 2,785 | 2,897 |
| Agriculture equipment (7) | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total | <u>\$ 87,428,683</u> | <u>\$ 96,321,552</u> | <u>\$ 112,297,361</u> | <u>\$ 115,286,903</u> | <u>\$ 108,713,425</u> | <u>\$ 93,074,018</u> |
| Direct sales tax rate (8) | 5.60% | 5.60% | 5.60% | 5.60% | 5.60% | 5.60% |

(1) Net taxable sales are based upon tax receipts.

(2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."

(3) Effective July 13, 1995, the tax rate on timber severance was changed to a dollar amount per 1,000 board feet. Timber severance includes only sales subject to the repealed rate.

(5) Commercial lease rate dropped to 0% effective July 1, 1997.

(6) Feed wholesale dropped to 0% effective July 17, 1994 and was repealed effective October 1, 1994.

(7) Agriculture equipment was phased out on July 1, 1988 and is not a current business classification.

(8) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2002 thru 2009 and 5.0% for most of fiscal year 2001 (rate increased to 5.6% during fiscal year 2001 on June 1, 2001). For fiscal years 2000 thru 2009, the tax rate for non-metal mining, oil and gas was 3.125%, the mining severance was 2.5%, the hotel/motel tax was 5.5%, and the jet fuel and jet fuel use tax was \$.0305 per gallon. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house. The 1.00% rate increase approved under Proposition 100 on May 18, 2010 increased the state transaction privilege and use rate beginning June 1, 2010 by one percentage point. That rate is not reflected in this table.

(9) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

(10) Use tax-utilities was not reported prior to fiscal year 2008. Fiscal years 2004-2008 were reported in fiscal year 2008. Information prior to 2004 is not available.

(11) Effective November 1, 2006, timbering severance, membership camping and rental occupancy were repealed.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2010 and prior.

| Fiscal Year | | | |
|----------------------|----------------------|----------------------|----------------------|
| 2004 | 2003 | 2002 | 2001 |
| \$ 67,486 | \$ 26,106 | \$ 96,356 | \$ 138,656 |
| 287,787 | 268,073 | 208,310 | 224,834 |
| 261,623 | 45,049 | (4,264) | 168,695 |
| - | - | 766 | - |
| 6,430,306 | 5,940,826 | 5,919,273 | 5,814,282 |
| 2,809,508 | 2,869,499 | 2,945,681 | 2,870,089 |
| 15,920 | 12,493 | 7,134 | 15,486 |
| 128,911 | 133,229 | 82,843 | 124,462 |
| 348,924 | 427,730 | 351,142 | 402,934 |
| 7,202,034 | 6,655,028 | 6,428,712 | 6,300,820 |
| 813,489 | 782,670 | 743,800 | 760,838 |
| (6,518) | (7,579) | 36,913 | 182,691 |
| 3,174,945 | 3,319,778 | 3,607,519 | 3,658,549 |
| 13,156,490 | 11,563,726 | 11,820,597 | 11,250,538 |
| (8) | (67) | (1,806) | (42) |
| 42,409,055 | 39,408,769 | 38,432,860 | 38,282,337 |
| 1,831,153 | 1,698,499 | 1,659,761 | 1,871,009 |
| 4,202 | 1,428 | 5,968 | 4,897 |
| 4,644,319 | 3,793,691 | 3,240,460 | 3,922,953 |
| 127 | - | - | - |
| 2,998 | 2,406 | 2,741 | 2,420 |
| - | - | 2,107 | 1,213 |
| 119 | - | - | - |
| <u>\$ 83,582,870</u> | <u>\$ 76,941,354</u> | <u>\$ 75,586,873</u> | <u>\$ 75,997,661</u> |
| 5.60% | 5.60% | 5.60% | 5.00% |

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STATE OF ARIZONA
SCHEDULE 6
SALES TAX REVENUE PAYERS BY CLASSIFICATION
CURRENT YEAR AND NINE YEARS AGO
(Expressed in Thousands)

| | Fiscal Year 2010 | | | Fiscal Year 2001 | | |
|---------------------------------------|---------------------|---------------------|-----------|---------------------|---------------------|--|
| | Tax Collections | Percentage of Total | | Tax Collections (5) | Percentage of Total | |
| <u>CLASSIFICATION</u> | | | | | | |
| Transporting (1) | \$ 2,099 | 0.04 % | \$ | 4,296 | 0.11 % | |
| Non-metal mining, oil and gas | 3,214 | 0.07 | | 7,026 | 0.18 | |
| Mining severance | 29,099 | 0.60 | | 4,217 | 0.11 | |
| Timbering severance - ponderosa (2) | 2 | - | | 1 | - | |
| Timbering severance - other (2) | (1) | - | | 1 | - | |
| Utilities | 467,626 | 9.63 | | 290,714 | 7.65 | |
| Communications | 180,885 | 3.72 | | 143,504 | 3.77 | |
| Railroads and aircraft (1) | - | - | | 2,637 | 0.07 | |
| Private car and pipelines | 82 | - | | 774 | 0.02 | |
| Publishing | 5,183 | 0.11 | | 6,223 | 0.16 | |
| Printing | 11,846 | 0.24 | | 20,147 | 0.53 | |
| Restaurants and bars | 450,980 | 9.28 | | 315,041 | 8.29 | |
| Amusements | 52,590 | 1.08 | | 38,042 | 1.00 | |
| Commercial lease (3) | 7 | - | | 3,883 | 0.10 | |
| Personal property rentals | 156,364 | 3.22 | | 182,927 | 4.81 | |
| Contracting | 465,418 | 9.58 | | 562,527 | 14.79 | |
| Retail | 2,145,311 | 44.17 | | 1,914,117 | 50.34 | |
| Hotel/motel | 107,222 | 2.21 | | 102,905 | 2.71 | |
| Rental occupancy tax (2) | 2 | - | | 147 | - | |
| Use tax utilities | (1,780) | (0.04) | | - | - | |
| Use tax | 271,764 | 5.59 | | 196,148 | 5.19 | |
| License fees | 726 | 0.01 | | 431 | 0.01 | |
| Membership camping (2) | - | - | | 121 | - | |
| Jet fuel tax | 4,461 | 0.09 | | 5,872 | 0.15 | |
| Jet fuel use tax | 828 | 0.02 | | 740 | 0.02 | |
| Non sufficient funds | (1) | - | | 29 | - | |
| Telecommunications service assistance | (189) | - | | (346) | (0.01) | |
| Miscellaneous fees | - | - | | - | - | |
| Agriculture Equipment | - | - | | 12 | - | |
| Administrative Adjustment (6) | - | - | | 26 | - | |
| Education tax (4) | 504,391 | 10.38 | | 101 | - | |
| Total (6) | <u>\$ 4,858,129</u> | <u>100.00 %</u> | <u>\$</u> | <u>3,802,263</u> | <u>100.00 %</u> | |

(1) Transporting/towing was combined with railroads/aircraft for confidentiality purposes beginning in fiscal year 2004.

(2) Effective November 1, 2006 these rates were repealed.

(3) Commercial lease rate dropped to 0% effective July 17, 1997.

(4) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are nonmetal mining, oil and gas, mining and timbering severances, hotel/motel, rental occupancy, and jet fuel taxes. The Arizona Department of Revenue's annual report does not include the amount of education tax collected from each classification, rather it reports the total collected from all classifications. The education tax became effective June 1, 2001.

(5) Does not reflect the balance of undistributed estimated payments at the end of fiscal year 2000.

(6) Includes unadjusted figure that was to be corrected in Fiscal Year 2001-02.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2010 and 2001

STATE OF ARIZONA
SCHEDULE 7
PERSONAL INCOME BY INDUSTRY
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

| CLASSIFICATION | Calendar Year Ended December 31 | | | | | |
|----------------------------------------------|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Farm earnings | \$ 502,262 | \$ 640,287 | \$ 818,480 | \$ 692,283 | \$ 966,562 | \$ 1,005,583 |
| Forestry and fishing | 419,519 | 414,197 | 452,456 | 448,533 | 392,423 | 398,258 |
| Mining | 1,189,166 | 1,450,604 | 1,031,986 | 903,040 | 717,889 | 652,564 |
| Utilities | 1,575,624 | 1,527,446 | 1,422,360 | 1,330,098 | 1,181,096 | 1,077,131 |
| Construction | 9,249,860 | 12,793,237 | 14,668,100 | 15,438,164 | 13,453,380 | 11,524,499 |
| Manufacturing | 12,709,979 | 13,829,866 | 13,709,747 | 13,656,708 | 12,736,884 | 12,241,302 |
| Wholesale trade | 8,037,416 | 8,578,953 | 8,785,582 | 7,924,846 | 7,209,873 | 6,643,795 |
| Retail trade | 11,563,764 | 12,514,926 | 13,329,846 | 12,967,991 | 11,909,557 | 10,755,773 |
| Transportation and warehousing | 4,685,960 | 4,885,400 | 4,951,483 | 4,778,258 | 4,375,950 | 4,073,329 |
| Information | 3,090,210 | 3,164,820 | 3,107,880 | 3,144,112 | 2,977,675 | 3,035,060 |
| Finance and insurance | 9,590,459 | 9,958,694 | 10,607,292 | 10,547,147 | 9,680,158 | 8,358,294 |
| Real estate, rental, and leasing | 4,028,623 | 4,309,101 | 4,324,050 | 5,321,210 | 5,320,830 | 4,854,340 |
| Professional and technical services | 12,757,951 | 13,408,064 | 12,678,935 | 11,795,487 | 10,295,791 | 8,975,667 |
| Managing companies/enterprises | 2,298,082 | 2,379,060 | 2,438,913 | 2,016,086 | 1,694,602 | 1,908,177 |
| Administrative and waste services | 8,459,019 | 9,490,203 | 9,637,819 | 9,219,474 | 8,326,832 | 7,186,639 |
| Educational services | 2,231,479 | 2,035,662 | 1,840,003 | 1,711,762 | 1,572,715 | 1,439,838 |
| Health care and social assistance | 18,521,773 | 17,876,791 | 16,345,567 | 14,945,405 | 13,342,839 | 12,318,173 |
| Arts, entertainment, and recreation | 1,712,796 | 1,785,219 | 1,752,388 | 1,697,223 | 1,487,796 | 1,438,709 |
| Accommodation and food services | 5,515,600 | 5,802,316 | 6,163,901 | 5,507,255 | 5,162,857 | 4,750,837 |
| Other services, except public administration | 5,251,204 | 5,464,288 | 5,769,952 | 5,237,758 | 4,761,529 | 4,269,944 |
| Government and government enterprises | 28,561,461 | 28,191,302 | 26,626,181 | 24,771,576 | 23,099,159 | 21,470,055 |
| Other (1) | 67,316,835 | 63,729,963 | 58,057,110 | 52,903,982 | 47,486,042 | 41,648,161 |
| Total | \$ 219,269,042 | \$ 224,230,399 | \$ 218,520,031 | \$ 206,958,398 | \$ 188,152,439 | \$ 170,026,128 |
| Average effective rate (2) | 1.11% | 1.15% | 1.56% | 1.77% | 1.94% | 1.68% |

(1) Includes dividends, interest, rental income, personal current transfer receipts, adjustment for residence, and deductions for government social insurance.

(2) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.

(3) Personal income estimates for years 2001 through 2008 were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis and Arizona Department of Revenue Annual Report.

| Calendar Year Ended December 31 | | | |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| 2003 | 2002 | 2001 | 2000 |
| \$ 731,608 | \$ 763,907 | \$ 746,773 | \$ 807,189 |
| 359,899 | 348,540 | 354,692 | 292,986 |
| 568,278 | 562,242 | 629,836 | 655,056 |
| 1,043,710 | 1,036,530 | 960,134 | 838,388 |
| 10,379,641 | 10,159,027 | 9,762,082 | 9,250,550 |
| 11,754,138 | 11,581,992 | 12,169,075 | 12,568,167 |
| 6,001,515 | 5,900,156 | 5,915,014 | 5,660,202 |
| 10,055,878 | 9,368,279 | 9,050,471 | 8,605,358 |
| 3,720,148 | 3,520,402 | 3,488,777 | 3,314,360 |
| 2,982,886 | 2,962,772 | 2,980,889 | 3,060,789 |
| 7,848,643 | 7,240,812 | 6,988,682 | 6,288,781 |
| 4,150,748 | 4,129,856 | 3,756,910 | 3,699,083 |
| 8,156,394 | 8,039,619 | 8,068,423 | 7,427,982 |
| 1,598,978 | 1,429,896 | 1,467,964 | 1,226,338 |
| 6,568,021 | 6,203,543 | 6,204,100 | 5,762,071 |
| 1,165,114 | 1,029,270 | 816,618 | 783,387 |
| 11,093,907 | 10,050,149 | 9,206,683 | 8,535,472 |
| 1,347,898 | 1,344,317 | 1,266,419 | 1,144,351 |
| 4,328,034 | 4,129,811 | 4,050,905 | 3,869,720 |
| 4,043,836 | 4,050,133 | 3,764,684 | 3,755,694 |
| 20,037,866 | 18,617,360 | 17,271,055 | 15,906,869 |
| 37,670,118 | 35,706,259 | 33,943,892 | 32,234,242 |
| <u>\$ 155,607,258</u> | <u>\$ 148,174,872</u> | <u>\$ 142,864,078</u> | <u>\$ 135,687,035</u> |
| 1.49% | 1.42% | 1.46% | 1.70% |

STATE OF ARIZONA
SCHEDULE 8
PERSONAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

| | Calendar Year Ended December 31 | | | | |
|------------------------------------------|---------------------------------|----------------|----------------|----------------|----------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| <u>AVERAGE EFFECTIVE RATE (3)</u> | | | | | |
| Personal Income Tax Revenue (1) | \$ 2,423,215 | \$ 2,575,453 | \$ 3,414,304 | \$ 3,666,923 | \$ 3,651,576 |
| Personal Income (2) | \$ 219,269,042 | \$ 224,230,399 | \$ 218,520,031 | \$ 206,958,398 | \$ 188,152,439 |
| Average Effective Rate (3) | 1.11% | 1.15% | 1.56% | 1.77% | 1.94% |

**TAX RATES ON THE PORTION OF
TAXABLE INCOME IN RANGES (4)**

| | | | | | |
|----------------|-------|-------|-------|-------|-------|
| \$0 - \$10 | 2.59% | 2.59% | 2.59% | 2.73% | 2.87% |
| \$10 - \$25 | 2.88% | 2.88% | 2.88% | 3.04% | 3.20% |
| \$25 - \$50 | 3.36% | 3.36% | 3.36% | 3.55% | 3.74% |
| \$50 - \$150 | 4.24% | 4.24% | 4.24% | 4.48% | 4.72% |
| \$150 and over | 4.54% | 4.54% | 4.54% | 4.79% | 5.04% |

(1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.

(2) Personal income is reported on a calendar basis. Years 2000 through 2008 have been revised to reflect revisions made by the U.S.

Bureau of Economic Analysis.

(3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.

(4) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house.

Source: Arizona Department of Revenue Tax Tables and the U.S. Bureau of Economic Analysis.

STATE OF ARIZONA
SCHEDULE 9
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
FOR THE TAXABLE YEARS 2007 AND 2000 (1)
(Expressed in Thousands, Except Number of Filers)

| | Taxable Year Ended December 31, 2007 | | | |
|-----------------------------------------------------------|--------------------------------------|---------------------|---------------|---------------------|
| | Number of Filers | Percentage of Total | Liability (2) | Percentage of Total |
| <u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u> | | | | |
| \$50 and under | 1,778,062 | 67.49% | \$ 438,462 | 13.52% |
| \$50 - \$100 | 555,092 | 21.07% | 673,036 | 20.74% |
| \$100 - \$500 | 285,248 | 10.83% | 1,136,239 | 35.02% |
| \$500 and over | 16,045 | 0.61% | 996,710 | 30.72% |
| Total | 2,634,447 | 100.00% | \$ 3,244,447 | 100.00% |

(1) The taxable year 2007 is the most recent year for which data is available, and combines the number of filers of the Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns.

(2) Liability, as reported on Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns for tax year 2007, filed from January 2008 forward (or 2000, filed from January 2001 forward).

(3) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

Source: Arizona Department of Revenue Annual Reports

Calendar Year Ended December 31

| 2004 | 2003 | 2002 | 2001 | 2000 |
|----------------|----------------|----------------|----------------|----------------|
| \$ 2,854,009 | \$ 2,316,040 | \$ 2,104,362 | \$ 2,090,646 | \$ 2,303,888 |
| \$ 170,026,128 | \$ 155,607,258 | \$ 148,174,872 | \$ 142,864,078 | \$ 135,687,035 |
| 1.68% | 1.49% | 1.42% | 1.46% | 1.70% |
| 2.87% | 2.87% | 2.87% | 2.87% | 2.87% |
| 3.20% | 3.20% | 3.20% | 3.20% | 3.20% |
| 3.74% | 3.74% | 3.74% | 3.74% | 3.74% |
| 4.72% | 4.72% | 4.72% | 4.72% | 4.72% |
| 5.04% | 5.04% | 5.04% | 5.04% | 5.04% |

Taxable Year Ended December 31, 2000

| Number of Filers | Percentage of Total | Liability (2) | Percentage of Total |
|------------------|---------------------|---------------|---------------------|
| 1,442,618 | 77.30% | \$ 412,823 | 24.44% |
| 322,391 | 17.27% | 464,724 | 27.52% |
| 95,712 | 5.13% | 470,266 | 27.84% |
| 5,602 | 0.30% | 341,104 | 20.20% |
| 1,866,323 | 100.00% | \$ 1,688,917 | 100.00% |

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands, Except Amount of Debt per Capita)

| | Fiscal Year | | | | | |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| GOVERNMENTAL ACTIVITIES: | | | | | | |
| Revenue bonds | \$ 3,522,605 | \$ 3,251,580 | \$ 2,759,070 | \$ 2,328,840 | \$ 2,106,700 | \$ 2,170,845 |
| Grant anticipation notes | 304,480 | 329,650 | 298,280 | 282,860 | 325,430 | 363,970 |
| Certificates of participation | 2,571,125 | 1,649,870 | 1,135,640 | 959,865 | 1,020,810 | 1,054,677 |
| Capital leases | 412,919 | 236,125 | 249,876 | 242,209 | 129,808 | 126,676 |
| Installment purchase contracts | 901 | 6,343 | 8,908 | 10,644 | 6,815 | 6,926 |
| Notes payable | 60,712 | 42,668 | 22,838 | 3,309 | - | - |
| Premiums and discounts on debt | 334,721 | 285,613 | 242,816 | 225,071 | 219,958 | 197,479 |
| Deferred amount on refundings (2) | (5,197) | (9,171) | (13,145) | (14,266) | (17,832) | - |
| Total Governmental Activities | <u>7,202,266</u> | <u>5,792,678</u> | <u>4,704,283</u> | <u>4,038,532</u> | <u>3,791,689</u> | <u>3,920,573</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | | | |
| Revenue bonds | 1,692,825 | 1,239,675 | 902,255 | 868,565 | 802,600 | 768,000 |
| Certificates of participation | 840,719 | 872,829 | 903,843 | 935,127 | 946,766 | 860,759 |
| Capital leases | 171,448 | 175,453 | 179,052 | 166,780 | 113,388 | 120,361 |
| Installment purchase contracts | 13,043 | 16,418 | 13,024 | 9,544 | 10,279 | 7,276 |
| Notes payable | 360 | 674 | 1,022 | 1,354 | - | 30 |
| Premiums and discounts on debt | 39,705 | 43,112 | 38,211 | 39,582 | 38,331 | 36,133 |
| Deferred amount on refundings (2) | (23,100) | (25,294) | (27,711) | (29,211) | (21,606) | (20,821) |
| Total Business-type Activities | <u>2,735,000</u> | <u>2,322,867</u> | <u>2,009,696</u> | <u>1,991,741</u> | <u>1,889,758</u> | <u>1,771,738</u> |
| Total Primary Government | <u>\$ 9,937,266</u> | <u>\$ 8,115,545</u> | <u>\$ 6,713,979</u> | <u>\$ 6,030,273</u> | <u>\$ 5,681,447</u> | <u>\$ 5,692,311</u> |
| Debt as a Percentage of | | | | | | |
| Personal Income (3) | 4.5% | 3.6% | 3.1% | 2.9% | 3.0% | 3.3% |
| Amount of Debt per Capita (3) | \$ 1,507 | \$ 1,249 | \$ 1,055 | \$ 974 | \$ 951 | \$ 988 |

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

(1) The State of Arizona implemented GASB 34 in fiscal year 2002.

(2) For fiscal years 2001 and prior, some or all of the premiums, discounts, or deferred amounts on refundings are combined in the respective revenue bond, grant anticipation note, or certificate of participation line items.

(3) See Schedule 22 for personal income and population data. These ratios are calculated using personal income and population data for the calendar year that ends during that fiscal year. For example, fiscal year 2008 contains data for the calendar year ending December 31, 2007. Personal income amounts were revised by the U.S. Bureau of Economic Analysis for 2000-2008, which affected 2004-2008 debt ratios compared to the debt ratios reported in the fiscal year 2008 CAFR.

| Fiscal Year | | | | | | | |
|-------------|-----------|------|-----------|--------------------------|--------------------------|----|-----------|
| 2004 | | 2003 | | 2002, as restated (1) | 2001, as restated (2) | | |
| \$ | 2,278,225 | \$ | 2,173,055 | \$ | 1,782,510 | \$ | 1,882,765 |
| | 308,585 | | 169,145 | | 182,295 | | 182,295 |
| | 845,804 | | 582,511 | | 231,904 | | 186,447 |
| | 125,974 | | 104,644 | | 8,517 | | 9,390 |
| | 4,602 | | 6,188 | | 10,228 | | 9,767 |
| | 562 | | 10,301 | | 38,859 | | - |
| | 144,759 | | 108,732 | | 32,700 | | 19,766 |
| | - | | - | | - | | - |
| | 3,708,511 | | 3,154,576 | | 2,287,013 | | 2,290,430 |
| | 756,781 | | 597,238 | | 596,403 | | 540,019 |
| | 641,315 | | 429,144 | | 422,010 | | 244,934 |
| | 80,338 | | 31,923 | | 37,758 | | 29,259 |
| | 5,038 | | 3,823 | | 3,832 | | 1,634 |
| | 80 | | 129 | | - | | - |
| | 28,184 | | 21,686 | | 20,794 | | - |
| | (10,970) | | (11,305) | | (8,999) | | - |
| | 1,500,766 | | 1,072,638 | | 1,071,798 | | 815,846 |
| \$ | 5,209,277 | \$ | 4,227,214 | \$ | 3,358,811 | \$ | 3,106,276 |
| | 3.3% | | 2.9% | | 2.4% | | 2.3% |
| \$ | 932 | \$ | 775 | \$ | 633 | \$ | 601 |

STATE OF ARIZONA

SCHEDULE 11

LEGAL DEBT MARGIN INFORMATION

ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

| Fiscal Year | Total Principal Outstanding Debt Limit (1) | | | | Highest Annual Principal and Interest Payment Debt Limit (1) | | | |
|-------------|--------------------------------------------|-------------------------------------|-------------------|-----------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------|-------------------|-----------------------------------------------------------------------------|
| | Debt Limit | Total Principal Applicable to Limit | Legal Debt Margin | Total Principal Applicable to the Limit as a Percentage of Debt Limit | (2) Debt Limit | Highest Annual Principal and Interest Payment | Legal Debt Margin | Highest Annual Principal and Interest Payment as a Percentage of Debt Limit |
| 2010 | \$ - | \$ - | \$ - | - % | \$ 167,625 | \$ 155,770 | \$ 11,855 | 92.93 % |
| 2009 | - | - | - | - | 169,728 | 155,774 | 13,954 | 91.78 |
| 2008 | - | - | - | - | 219,539 | 146,754 | 72,785 | 66.85 |
| 2007 | - | - | - | - | 317,570 | 137,149 | 180,421 | 43.19 |
| 2006 | 1,300,000 | 1,223,425 | 76,575 | 94.11 | 312,204 | 121,025 | 191,179 | 38.76 |
| 2005 | 1,300,000 | 1,161,355 | 138,645 | 89.34 | 230,882 | 115,633 | 115,249 | 50.08 |
| 2004 | 1,300,000 | 1,017,360 | 282,640 | 78.26 | 278,927 | 106,220 | 172,707 | 38.08 |
| 2003 | 1,300,000 | 932,700 | 367,300 | 71.75 | 270,270 | 99,923 | 170,347 | 36.97 |
| 2002 | 1,000,000 | 734,155 | 265,845 | 73.42 | 261,663 | 86,496 | 175,167 | 33.06 |
| 2001 | 800,000 | 700,280 | 99,720 | 87.54 | 256,945 | 82,712 | 174,233 | 32.19 |

- (1) As stated in House Bill 2206 of the Second Regular Session of the Forty-seventh Legislature, the \$1.3 billion debt limit is eliminated from ARS §28-7510 and the amount that pledged monies are required to exceed the highest annual principal and interest payments is amended from two to three times. The general effective date of this change was September 21, 2006. Prior to September 21, 2006, Arizona Revised Statutes restricted the total principal amount of Arizona Highway Revenue Bonds that could be outstanding at any time, excluding refunded bonds, from exceeding \$1.3 billion. Also, the monies subjected to pledge for the preceding twelve months must have exceeded, by two times, the highest annual principal and interest payments on all of the outstanding Arizona Highway Revenue Bonds for the highest one year period during the life of the outstanding bonds.
- (2) The Highest Annual Principal and Interest Payment debt limit is calculated by dividing pledged revenues for the Arizona Transportation Board Highway Revenue Bonds (see Schedule 15) by three for Fiscal year 2010, 2009 and 2008 or by two for Fiscal years 2007 and prior. Fiscal year 2005 pledged revenues are net of a \$118 million distribution to the State General Fund.

STATE OF ARIZONA

SCHEDULE 12

LEGAL DEBT MARGIN INFORMATION

ARIZONA STATE UNIVERSITY

FOR THE LAST FIVE FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

| Fiscal Year (2) | Projected Total Expenditures | Projected Debt Service Limit (8% of Expenditures) (3) | Amount of Projected Debt Service Applicable to Limit | Legal Debt Margin | Total Projected Debt Service as a Percentage of Debt Service Limit |
|-----------------|------------------------------|-------------------------------------------------------|------------------------------------------------------|-------------------|--------------------------------------------------------------------|
| | | | | | |
| 2010 | \$ 1,894,737 | \$ 151,579 | \$ 108,000 | \$ 43,579 | 5.70 % |
| 2009 | 1,865,385 | 149,231 | 97,000 | 52,231 | 5.20 % |
| 2008 | 2,017,544 | 161,404 | 115,000 | 46,404 | 5.70 % |
| 2007 | 1,880,769 | 150,462 | 97,800 | 52,662 | 5.20 % |
| 2006 | 1,724,528 | 137,962 | 91,400 | 46,562 | 5.30 % |

- (1) Ten years of data is not available, but will be accumulated over time.
- (2) For fiscal years 2006, 2007, 2008, 2009 and 2010, projections are based upon the University's fiscal years 2008-2010, 2009-2011, 2010-2012, 2011-2013 and 2012-2014 capital improvement plans, respectively.
- (3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION
UNIVERSITY OF ARIZONA
FOR THE LAST FOUR FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| Fiscal Year (2) | Projected Total Expenditures | Projected Debt Service Limit (8% of Expenditures) (3) | Amount of Projected Debt Service Applicable to Limit | Legal Debt Margin | Total Projected Debt Service as a Percentage of Debt Service Limit |
|--------------------|------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------|----------------------|-----------------------------------------------------------------------------|
| 2010 | \$ 1,817,647 | \$ 145,412 | \$ 92,700 | \$ 52,712 | 5.10 % |
| 2009 | 1,681,818 | 134,545 | 92,500 | 42,045 | 5.50 |
| 2008 | 1,681,132 | 134,491 | 89,100 | 45,391 | 5.30 |
| 2007 | 1,657,971 | 132,638 | 114,400 | 18,238 | 6.90 |

- (1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007, 2008, 2009 and 2010, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013 and 2012-2014 capital improvement plans, respectively.
(3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 14
LEGAL DEBT MARGIN INFORMATION
NORTHERN ARIZONA UNIVERSITY
FOR THE LAST FOUR FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| Fiscal Year (2) | Projected Total Expenditures | Projected Debt Service Limit (8% of Expenditures) (3) | Amount of Projected Debt Service Applicable to Limit | Legal Debt Margin | Total Projected Debt Service as a Percentage of Debt Service Limit |
|--------------------|------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------|----------------------|-----------------------------------------------------------------------------|
| 2010 | \$ 423,601 | \$ 33,888 | \$ 28,000 | \$ 5,888 | 6.61 % |
| 2009 | 419,448 | 33,556 | 28,900 | 4,656 | 6.89 |
| 2008 | 430,360 | 34,429 | 27,500 | 6,929 | 6.39 |
| 2007 | 410,811 | 32,865 | 30,400 | 2,465 | 7.40 |

- (1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007, 2008, 2009 and 2010, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013 and 2012-2014 capital improvement plans, respectively.
(3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA

SCHEDULE 15

PLEDGED-REVENUE COVERAGE**ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

| Fiscal Year | (1), (2) Pledged Revenue | Debt Service | | | Coverage |
|----------------|--------------------------------|--------------|-----------|------------|----------|
| | Principal | Interest | Total | | |
| 2010 | \$ 502,874 | \$ 68,140 | \$ 87,661 | \$ 155,801 | 3.2 |
| 2009 | 509,183 | 64,190 | 89,825 | 154,015 | 3.3 |
| 2008 | 658,616 | 60,645 | 75,538 | 136,183 | 4.8 |
| 2007 | 635,140 | 57,825 | 73,785 | 131,610 | 4.8 |
| 2006 | 624,408 | 54,830 | 62,222 | 117,052 | 5.3 |
| 2005 | 461,763 | 44,265 | 60,459 | 104,724 | 4.4 |
| 2004 | 557,854 | 51,155 | 53,149 | 104,304 | 5.3 |
| 2003 | 540,540 | 44,490 | 41,932 | 86,422 | 6.3 |
| 2002 | 523,326 | 45,365 | 38,534 | 83,899 | 6.2 |
| 2001 | 513,890 | 52,055 | 36,581 | 88,636 | 5.8 |

(1) The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.

(2) Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2005 is net of a \$118 million distribution to the State General Fund. Fiscal year 2009 is net of \$66 million and 2010 is net of \$44 million distribution to the State General Fund.

STATE OF ARIZONA

SCHEDULE 16

PLEDGED-REVENUE COVERAGE**ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

| Fiscal Year | (1) Pledged Revenue | Debt Service | | | Coverage |
|----------------|---------------------------|--------------|-----------|-----------|----------|
| | Principal | Interest | Total | | |
| 2010 | \$ 199,672 | \$ 33,315 | \$ 38,225 | \$ 71,540 | 2.8 |
| 2009 | 219,165 | 13,825 | 17,193 | 31,018 | 7.1 |
| 2008 | 253,742 | 19,045 | 10,673 | 29,718 | 8.5 |
| 2007 | 262,264 | - | - | - | N/A |
| 2006 | 316,491 | 80,375 | 1,566 | 81,941 | 3.9 |
| 2005 | 316,806 | 208,625 | 14,318 | 222,943 | 1.4 |
| 2004 | 288,600 | 199,400 | 23,553 | 222,953 | 1.3 |
| 2003 | 268,721 | 190,415 | 31,533 | 221,948 | 1.2 |
| 2002 | 267,563 | 163,455 | 35,445 | 198,900 | 1.3 |
| 2001 | 264,722 | 156,865 | 40,035 | 196,900 | 1.3 |

(1) The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

STATE OF ARIZONA

SCHEDULE 17

PLEDGED-REVENUE COVERAGE**SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS**

FOR THE LAST NINE FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

| Fiscal Year | (2) Pledged Revenue | (3) Debt Service | | | Coverage |
|----------------|---------------------------|---------------------|-----------|-----------|----------|
| | | Principal | Interest | Total | |
| 2010 | \$ 504,392 | \$ 37,230 | \$ 27,074 | \$ 64,304 | 7.84 |
| 2009 | 558,900 | 35,420 | 28,885 | 64,305 | 8.69 |
| 2008 | 645,828 | 33,810 | 30,498 | 64,308 | 10.04 |
| 2007 | 666,184 | 31,055 | 31,893 | 62,948 | 10.58 |
| 2006 | 628,471 | 34,480 | 30,052 | 64,532 | 9.74 |
| 2005 | 538,346 | 28,485 | 36,060 | 64,545 | 8.34 |
| 2004 | 487,215 | 27,215 | 37,568 | 64,783 | 7.52 |
| 2003 | 447,841 | 25,010 | 36,901 | 61,911 | 7.23 |
| 2002 | 439,005 | 43,035 | 26,962 | 69,997 | 6.27 |

(1) No debt service payments were due prior to fiscal year 2002.

(2) Pledged revenues consist of education transaction privilege tax revenues. These revenues result from a .6% increase in the State transaction privilege and use tax rate that was approved by a statewide vote at the November 2000 election.

(3) Principal does not include sinking fund deposits of \$1,270 each year, beginning in fiscal year 2003 and ending in fiscal year 2007, that will be sufficient to retire bonds with a par amount of \$6,350 upon maturity, in fiscal year 2016.

STATE OF ARIZONA

SCHEDULE 18

PLEDGED-REVENUE COVERAGE**SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS**

FOR THE LAST SEVEN FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

| Fiscal Year | (2) Pledged Revenue | (3) Debt Service | | | Coverage |
|----------------|---------------------------|---------------------|----------|--------|----------|
| | | Principal | Interest | Total | |
| 2010 | \$ N/A | \$ N/A | \$ N/A | \$ N/A | N/A |
| 2009 | 72,263 | 15,105 | 9,143 | 24,248 | 2.98 |
| 2008 | 72,263 | 14,470 | 8,400 | 22,870 | 3.16 |
| 2007 | 72,263 | 13,980 | 11,524 | 25,504 | 2.83 |
| 2006 | 72,263 | 13,440 | 12,061 | 25,501 | 2.83 |
| 2005 | 72,263 | 13,740 | 11,960 | 25,700 | 2.81 |
| 2004 | 64,903 | - | 8,634 | 8,634 | 7.52 |

(1) No debt service payments were due prior to fiscal year 2004.

(2) Pledged revenues consist of expendable revenue from the State School Trust. This revenue includes the State Treasurer's formula distribution of earnings on permanent fund investments as specified in the Arizona Constitution. Additionally, the State Land Commissioner distributes interest received from financed sales of trust lands and revenue received from land trust leases, except that, under current statutes, the amount of State School Trust Revenues available to pay debt service on all State School Trust Revenue Obligations shall not exceed \$72,263. Expendable trust revenues in excess of \$72,263 must be deposited in the Classroom Site Fund.

(3) Principal does not include sinking fund deposits of \$1,538 each year, beginning in fiscal year 2006 and ending in fiscal year 2018, that will be sufficient to retire bonds with a par amount of \$20,000 upon maturity, in fiscal year 2018.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED-REVENUE COVERAGE
ARIZONA STATE UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| Fiscal Year | (1) Pledged Revenue | Debt Service | | | | | |
|----------------|---------------------------|--------------|-----------|-----------------|---------------|--|----------|
| | | Net Payments | | | (Receipts) On | | Coverage |
| | | Principal | Interest | Swap Agreements | Total | | |
| 2010 | \$ 782,727 | \$ 26,975 | \$ 33,003 | \$ 3,716 | \$ 63,694 | | 12.29 |
| 2009 | 702,797 | 21,555 | 21,896 | 3,692 | 47,143 | | 14.91 |
| 2008 | 638,707 | 19,135 | 16,682 | 2,448 | 38,265 | | 16.69 |
| 2007 | 580,102 | 17,125 | 21,339 | 186 | 38,650 | | 15.01 |
| 2006 | 505,890 | 14,625 | 17,313 | - | 31,938 | | 15.84 |
| 2005 | 458,177 | 11,205 | 16,307 | - | 27,512 | | 16.65 |
| 2004 | 383,756 | 1,340 | 16,260 | - | 17,600 | | 21.80 |
| 2003 | 325,626 | - | 13,754 | - | 13,754 | | 23.68 |
| 2002 | 297,691 | 9,695 | 9,575 | - | 19,270 | | 15.45 |
| 2001 | 274,596 | 9,785 | 12,139 | - | 21,924 | | 12.52 |

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.

(2) Pledged revenues prior to payment date of 2004 have been restated to include West and Polytechnic campuses.

STATE OF ARIZONA
SCHEDULE 20
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| Fiscal Year | (1), (2) | | (1) | | | | |
|----------------|-------------------|---------------------------------|----------------------------------------------|--------------|-----------|-----------|----------|
| | Gross Revenues | Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service | | | Coverage |
| | | | | Principal | Interest | Total | |
| 2010 | \$ 1,128,091 | \$ 962,469 | \$ 165,622 | \$ 23,860 | \$ 24,593 | \$ 48,453 | 3.42 |
| 2009 | 1,044,354 | 911,440 | 132,914 | 22,725 | 15,437 | 38,162 | 3.48 |
| 2008 | 1,113,954 | 1,005,572 | 108,382 | 21,235 | 14,978 | 36,213 | 2.99 |
| 2007 | 982,559 | 899,084 | 83,475 | 17,440 | 14,166 | 31,606 | 2.64 |
| 2006 | 897,706 | 836,657 | 61,049 | 12,355 | 13,433 | 25,788 | 2.37 |
| 2005 | 830,077 | 774,014 | 56,063 | 11,815 | 11,817 | 23,632 | 2.37 |
| 2004 | 778,939 | 727,161 | 51,778 | 10,970 | 11,706 | 22,676 | 2.28 |
| 2003 | 726,258 | 667,627 | 58,631 | 12,625 | 12,156 | 24,781 | 2.37 |
| 2002 | 670,326 | 625,664 | 44,662 | 9,946 | 15,500 | 25,446 | 1.76 |
| 2001 | 710,423 | 663,284 | 47,139 | 12,415 | 16,359 | 28,774 | 1.64 |

- (1) Gross Revenues and Direct Operating Expenses include current operating unrestricted funds only since these are the funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization. Fiscal year 2002 Gross Revenues and Direct Operating Expenses include accounting changes applied to scholarship and allowance due to implementation of GASB Statements 34 and 35.
- (2) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income.

STATE OF ARIZONA
SCHEDULE 21
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

| Fiscal Year | (1) | | | | | Coverage |
|----------------|-------------------|--------------|-----------|-----------|-------|----------|
| | Gross Revenues | Debt Service | | | Total | |
| | | Principal | Interest | | | |
| 2010 | \$ 198,197 | \$ 6,545 | \$ 10,912 | \$ 17,457 | 11.35 | |
| 2009 | 164,877 | 6,570 | 7,383 | 13,953 | 11.82 | |
| 2008 | 143,733 | 10,455 | 6,628 | 17,083 | 8.41 | |
| 2007 | 136,100 | 9,610 | 5,943 | 15,553 | 8.75 | |
| 2006 | 129,608 | 10,310 | 6,603 | 16,913 | 7.66 | |
| 2005 | 110,981 | 10,065 | 6,060 | 16,125 | 6.88 | |
| 2004 | 103,192 | 10,294 | 5,778 | 16,072 | 6.42 | |
| 2003 | 85,294 | 9,426 | 5,066 | 14,492 | 5.89 | |
| 2002 | 82,839 | 6,932 | 3,949 | 10,881 | 7.61 | |
| 2001 | 78,907 | 6,214 | 5,246 | 11,460 | 6.89 | |

- (1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.

STATE OF ARIZONA
SCHEDULE 22
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

| Calendar Year Ended December 31 | Population (1,3) | Personal Income (3) (in thousands) | Per Capita Personal (2) Income | Unemployment Rate (4) |
|---------------------------------------|------------------|------------------------------------------|--------------------------------------|--------------------------|
| 2009 | 6,595,778 | \$ 219,269,042 | \$ 33,244 | 9.1 |
| 2008 | 6,499,377 | 224,230,399 | 34,500 | 5.9 |
| 2007 | 6,362,241 | 218,520,031 | 34,346 | 3.9 |
| 2006 | 6,192,100 | 206,958,398 | 33,423 | 4.2 |
| 2005 | 5,974,834 | 188,152,439 | 31,491 | 4.7 |
| 2004 | 5,759,425 | 170,026,128 | 29,521 | 5.0 |
| 2003 | 5,591,206 | 155,607,258 | 27,831 | 5.7 |
| 2002 | 5,452,108 | 148,174,872 | 27,178 | 6.0 |
| 2001 | 5,304,417 | 142,864,078 | 26,933 | 4.7 |
| 2000 | 5,166,697 | 135,687,035 | 26,262 | 4.0 |

(1) These are midyear population estimates of the U.S. Bureau of the Census.

(2) Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census.

(3) Population and personal income estimates were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

(4) Unemployment rates were revised to reflect revisions made by the Arizona Department of Commerce.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).
U.S. Bureau of the Census (also for population).
Arizona Department of Transportation CAFR 2010

STATE OF ARIZONA
SCHEDULE 23
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

| Employer | Calendar Year Ended December 31, 2009 | | | Calendar Year Ended December 31, 2000 | | |
|--------------------------|---------------------------------------|------|--------------------------------------------|---------------------------------------|------|--------------------------------------------|
| | Full-Time Equivalent Employees | Rank | Percentage of Total State Employment | Full-Time Equivalent Employees | Rank | Percentage of Total State Employment |
| State of Arizona | 52,420 | 1 | 1.67 % | 59,348 | 1 | 2.37 % |
| Wal-Mart Stores Inc. | 31,280 | 2 | 1.00 | 13,800 | 6 | 0.55 |
| Banner Health (1) | 27,431 | 3 | 0.87 | 13,973 | 4 | 0.56 |
| City of Phoenix | 16,375 | 4 | 0.52 | 12,917 | 7 | 0.52 |
| Wells Fargo & Co. | 14,000 | 5 | 0.45 | - | | |
| Maricopa County | 12,996 | 6 | 0.41 | 13,860 | 5 | 0.55 |
| Apollo Group Inc. | 12,299 | 7 | 0.39 | - | | |
| Arizona State University | 12,043 | 8 | 0.38 | - | | |
| Raytheon Missile Systems | 11,500 | 9 | 0.37 | 9,700 | 10 | 0.39 |
| Honeywell International | 10,145 | 10 | 0.32 | 17,500 | 2 | 0.70 |
| Motorola | - | | - | 15,500 | 3 | 0.62 |
| The Kroger Co. | - | | - | 9,837 | 8 | 0.39 |
| U.S. Postal Service | - | | - | 3,756 | 9 | 0.39 |
| Total | 200,489 | | 6.38 % | 170,191 | | 7.04 % |

(1) Formerly known as Samaritan Health Systems.

Source: Arizona Department of Transportation CAFR 2010

STATE OF ARIZONA
SCHEDULE 24
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST SEVEN FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2010

| | Fiscal Year | | | | | | |
|---------------------------------------------|-------------|----------|----------|----------|----------|----------|----------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| FULL-TIME EQUIVALENT EMPLOYEES | | | | | | | |
| General government: | | | | | | | |
| Lottery | 104.0 | 110.0 | 110.0 | 110.0 | 110.0 | 110.0 | 110.0 |
| Arizona State Retirement System | 236.0 | 236.0 | 235.0 | 231.0 | 221.0 | 199.0 | 197.0 |
| Department of Revenue | 863.0 | 1,164.0 | 1,164.0 | 1,148.0 | 1,146.0 | 1,024.0 | 1,134.0 |
| All other | 2,746.5 | 2,989.2 | 2,999.2 | 2,957.5 | 2,898.6 | 2,944.3 | 3,003.0 |
| Health and welfare: | | | | | | | |
| Department of Economic Security | 4,201.0 | 4,201.0 | 4,099.2 | 3,874.4 | 3,953.7 | 3,902.7 | 3,592.9 |
| Arizona Health Care Cost Containment System | 1,484.0 | 1,635.8 | 1,629.0 | 1,617.3 | 1,583.5 | 1,574.5 | 1,530.1 |
| Department of Health Services | 1,538.6 | 1,699.1 | 1,702.1 | 1,680.4 | 1,735.5 | 1,734.5 | 1,701.5 |
| All other | 966.5 | 981.5 | 981.5 | 859.9 | 858.5 | 924.2 | 933.2 |
| Inspection and regulation | 1,820.7 | 1,943.1 | 1,930.1 | 1,853.7 | 1,827.3 | 1,818.5 | 1,815.3 |
| Education: | | | | | | | |
| Universities | 15,664.5 | 17,353.5 | 17,138.8 | 16,975.0 | 16,419.5 | 16,027.5 | 15,467.4 |
| All other | 972.4 | 1,003.4 | 1,001.4 | 969.0 | 913.8 | 949.5 | 948.1 |
| Protection and safety: | | | | | | | |
| Department of Corrections | 9,755.9 | 9,932.5 | 9,755.9 | 9,726.9 | 9,726.9 | 10,322.4 | 10,295.4 |
| Department of Juvenile Corrections | 1,050.7 | 1,163.7 | 1,163.7 | 1,195.7 | 1,160.5 | 1,151.5 | 1,214.4 |
| Department of Public Safety | 2,099.8 | 2,114.8 | 2,108.8 | 2,065.8 | 1,901.8 | 1,872.0 | 1,853.0 |
| All other | 118.4 | 134.9 | 133.9 | 125.4 | 127.4 | 120.6 | 149.6 |
| Department of Transportation | 4,548.0 | 4,748.0 | 4,744.0 | 4,703.5 | 4,649.0 | 4,626.0 | 4,605.0 |
| Natural resources | 956.7 | 1,009.7 | 1,007.7 | 967.3 | 926.9 | 903.2 | 856.9 |
| Total | 49,126.7 | 52,420.2 | 51,904.3 | 51,060.8 | 50,159.9 | 50,204.4 | 49,406.8 |

(1) Full-time equivalent employees are categorized by the function of government that their respective agency generally serves. Information is not available to distinguish between governmental, business-type, or fiduciary activities.

(2) Ten years of data is not available, but will be accumulated over time.

Source: The Executive Budget (Detail).

STATE OF ARIZONA
SCHEDULE 25
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2010

| FISCAL YEAR ENDED JUNE 30, 2010 | Fiscal Year | | | | | | |
|---------------------------------------------------------------------------------|-------------|------------|------------|------------|------------|------------|------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| <u>FUNCTIONS/PROGRAMS</u> | | | | | | | |
| General government: | | | | | | | |
| Number of tax returns received (in millions) | 5.2 | 5.7 | 5.6 | 5.5 | 5.5 | 6.0 | 6.0 |
| Health and welfare: | | | | | | | |
| Arizona Health Care Cost Containment System membership (2) | 1,392,420 | 1,282,910 | 1,136,585 | 1,075,125 | 1,065,444 | 1,075,873 | 971,292 |
| Average monthly number of recipients of temporary assistance for needy families | N/A | 83,969 | 80,221 | 82,408 | 93,553 | 105,517 | 122,577 |
| Average monthly number of persons receiving food stamp benefits | N/A | 779,089 | 600,549 | 537,072 | 546,424 | 546,369 | 521,992 |
| Inspection and regulation: | | | | | | | |
| Nonfatal occupational injuries and illnesses: | | | | | | | |
| Total recordable cases (in thousands) (3) | 75.2 | 84.0 | 101.8 | 99.4 | 97.0 | 87.1 | 85.7 |
| Incident rate per 100 full-time workers (3) | 3.7 | 3.9 | 4.6 | 4.6 | 4.9 | 4.7 | 4.8 |
| Education: | | | | | | | |
| Public school enrollment, grades K-12 (4) | 1,068,987 | 1,062,618 | 0 | 1,106,207 | 1,084,247 | 1,043,704 | 1,002,630 |
| Protection and safety: | | | | | | | |
| Number of miles patrolled by the Highway Patrol (11) | N/A | 21,987,920 | 21,881,034 | 20,282,212 | 19,703,282 | 19,922,704 | 19,229,079 |
| State prison adult inmate population (5) | 40,477 | 39,628 | 38,897 | 37,088 | 34,864 | 32,710 | 31,937 |
| Transportation: | | | | | | | |
| Number of registered vehicles (6) | 6,740,536 | 6,692,834 | 6,733,610 | 6,608,726 | 6,318,402 | 5,945,131 | 5,638,799 |
| Number of driver licenses issued (7) | 1,241,977 | 1,246,358 | 1,200,227 | 1,266,973 | 1,205,068 | 1,158,223 | 1,122,893 |
| Natural resources: | | | | | | | |
| Game and Fish Department's license and tag sales (8) | N/A | 874,363 | 896,143 | 940,223 | 897,159 | 808,055 | 835,669 |
| Universities: | | | | | | | |
| University full-time equivalent students (9) | 122,734 | 118,743 | 113,092 | 110,580 | 107,765 | 104,685 | 102,461 |
| Unemployment compensation: | | | | | | | |
| Number of initial unemployment claims filed | 363,189 | 396,755 | 0 | 185,397 | 161,869 | 200,282 | 227,585 |
| Industrial Commission special fund: | | | | | | | |
| No-insurance awards issued | 1,781 | 2,244 | 2,748 | 3,265 | 2,744 | 3,281 | 3,300 |
| Number of vocational rehabilitation awards issued | 128 | 103 | 118 | 133 | 124 | 102 | 139 |
| Lottery: | | | | | | | |
| Total lottery sales (in millions) | \$ 551.5 | \$ 484.5 | \$ 472.9 | \$ 462.2 | \$ 468.7 | \$ 397.6 | \$ 366.6 |
| Other business-type activities: | | | | | | | |
| Arizona Health Care Cost Containment System's Healthcare Group membership (10) | 10,760 | 14,560 | 21,646 | 26,914 | 21,600 | 14,626 | 11,218 |

N/A = Not available

- (1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.
- (2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which is listed separately as other business-type activities, beginning in fiscal year 2002. In November 2000, Arizona voters approved Proposition 204, the Healthy Arizona Initiative, which expanded eligibility to 100% of the federal poverty level. This added 142,800 members and accounted for 28.5% of the overall growth since March 1, 2001.
- (3) Numbers represent total recordable cases and incident rates for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2008 contains data for the calendar year ending December 31, 2007. One hundred full-time workers represent 200,000 hours worked (100 times 40 hours per week times 50 weeks per year).
- (4) These enrollment counts represent a head count of all active enrollments on October 1st of each school year. The fiscal years above contain data for the academic year that occurs during that fiscal year. For example, fiscal year 2009 contains data from the October 1, 2008 enrollment figures. Starting with the 2008-09 school year, due to federal requirements new business rules were used to calculate enrollment, so that counts are unduplicated. Prior to this, the counts are not unduplicated counts; concurrently enrolled students are counted as having an active membership in each school. Also, there was a change in data collection in 2003. From 2003 to 2008, concurrent enrollments in technology schools are included, which may additionally overstate aggregated enrollment figures.
- (5) Beginning in 2007, the state prison inmate population on the 2 Year Prison Population Trend Report excludes the inmate count from the county jail. For fiscal years 2006 and prior, the number includes both the county jail and the outside count of inmates.
- (6) Count represents the total number of vehicles registered as of the end of the fiscal year. Starting with fiscal year 2002, a new category for "unassigned vehicles" was added to more fully reflect the total count of all registered vehicles.
- (7) Count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30.
- (8) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2008 contains data for the calendar year ending December 31, 2007.
- (9) Enrollment figures represent the number of full-time equivalent students for the fall semester. The fiscal years above contain data for the fall semester that occurs during that fiscal year. For example, fiscal year 2008 contains data for the fall 2007 semester. These figures are generated by calculating one full-time equivalent student for each 15 student credit hours produced in lower-division undergraduate courses, each 12 student credit hours produced in upper-division undergraduate courses, and each 10 student credit hours produced in graduate courses.
- (10) Approximate number of members enrolled as of June 1.
- (11) Fiscal year 2008 number was revised to reflect the Departments 2009 annual report.

Sources: The State Departments of Transportation, Public Safety, Corrections, Education, Game and Fish, Economic Security, Revenue, the Industrial Commission of Arizona, Arizona Lottery, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.

| Fiscal Year | | |
|-------------|------------|-----------|
| 2003 | 2002 | 2001 |
| 5.3 | 6.3 | N/A |
| 955,600 | 791,000 | 609,000 |
| 121,193 | 109,547 | 93,857 |
| 442,320 | 355,722 | 277,192 |
| 95.9 | 113.1 | 112.8 |
| 5.1 | 5.9 | 6.0 |
| 970,283 | 915,656 | 878,987 |
| 18,363,977 | 18,160,134 | N/A |
| 30,898 | 29,273 | 27,451 |
| 5,311,590 | 5,118,115 | 4,639,405 |
| 1,039,780 | 1,072,245 | 973,476 |
| 865,634 | 898,453 | 986,691 |
| 100,258 | 96,603 | 92,725 |
| 255,579 | 255,303 | 187,697 |
| 2,954 | 3,986 | N/A |
| 150 | 121 | N/A |
| \$ 322.3 | \$ 294.8 | \$ 272.7 |
| 11,400 | 12,100 | N/A |

STATE OF ARIZONA
SCHEDULE 26
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2010

| | Fiscal Year | | | | | | |
|---------------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| <u>FUNCTIONS/PROGRAMS</u> | | | | | | | |
| Protection and safety: | | | | | | | |
| Number of adult prison facilities (3) | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Transportation: | | | | | | | |
| Public road mileage (center lane miles) (2) | 6,789 | 6,753 | 6,785 | 6,817 | 6,922 | 6,816 | 6,912 |
| Number of bridges (2) | 4,700 | 4,648 | 4,637 | 4,648 | 4,676 | 4,608 | 4,488 |
| Natural resources: | | | | | | | |
| State Trust acres | N/A | 9,259,296 | 9,260,253 | 9,262,781 | 9,267,377 | 9,269,723 | 9,271,580 |
| Universities: | | | | | | | |
| Number of facilities (4) | 1,737 | 1,670 | 1,669 | 1,663 | 1,002 | N/A | N/A |
| Gross square feet (in thousands) (4) | 37,589 | 37,186 | 36,000 | 34,946 | 20,154 | N/A | N/A |

N/A = Not available

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, unemployment compensation, Industrial Commission special fund, Lottery, and other business-type activity functions.

- (1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as a calendar year), as indicated in the notes below.
- (2) These are the number of center lane miles and bridges that the Arizona Department of Transportation accounts for under the modified approach, which is discussed in the Required Supplementary Information portion of this report.
- (3) The Arizona Department of Corrections also contracts with private prison facilities to provide custody and treatment.
- (4) In addition to academic/support facilities, auxiliary enterprise facilities are also reported. These would include essentially self-supporting entities, such as residence halls and parking structures.

Sources: The State Departments of Transportation, Land, and Corrections and the Universities.

| Fiscal Year | | |
|-------------|-----------|-----------|
| 2003 | 2002 | 2001 |
| 10 | 10 | 10 |
| 6,801 | 6,650 | N/A |
| 4,463 | 4,378 | N/A |
| 9,279,243 | 9,266,158 | 9,271,921 |
| N/A | N/A | N/A |
| N/A | N/A | N/A |

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